SASKATCHEWAN OPPORTUNITIES CORPORATION

# ANNUAL REPORT

TWO THOUSAND FIFTEEN/SIXTEEN | 2015/16

# LETTER OF TRANSMITTAL

June 1, 2016

To Her Honour
The Honourable Vaughn Solomon Schofield, S.O.M., S.V.M.,
Lieutenant Governor of Saskatchewan

Dear Madam:

I have the honour to submit the Annual Report of Saskatchewan Opportunities Corporation for the fifteen month period ended March 31, 2016, including the financial statements duly certified in accordance with *The Saskatchewan Opportunities Corporation Act*.

Respectfully submitted,

Don McMorris
Minister Responsible for Saskatchewan Opportunities Corporation

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THE GALLERIA BUILDING IN S

# A MESSAGE TO OUR STAKEHOLDERS

**FROM CHAIR OF THE BOARD, CAROL SKELTON, AND PRESIDENT & CEO, VAN ISMAN**

A year ago we described 2013 and 2014 as having been a *year of change* followed by a *year of new beginnings*. While the fiscal period ended March 31, 2016 still had a number of changes and new beginnings, we feel that an appropriate characterization would be a *year of implementation*.

Last year we reported on five new guiding strategic pillars for Saskatchewan Opportunities Corporation (SOCO). It is our pleasure to now report on the implementation progress we have achieved in advancing these priorities:

1. Emphasis on development of Saskatchewan's technology sector, particularly in relation to new business development:
    - We have implemented a rejuvenated programming agenda for both of our Saskatoon and Regina parks. This has resulted in numerous new program options offered to our tenants, particularly relating to the improvement of their business skills. We continue to average more than 10 programs per month.
    - The University of Saskatchewan's Wilson Centre for Entrepreneurial Excellence has relocated to Innovation Place. The Wilson Centre, with a particular focus on ideation helps nascent and existing entrepreneurs move from problem to idea to enterprise.
    - In last year's annual report we profiled our unique co-working space for application developers. Our membership basis for this unique facility continues to fluctuate, having peaked at 29; however four such members have graduated to their own multi-employee leased facilities within Innovation Place. The space is working as had been anticipated.
    - In the 12 months to December 31, 2015, Innovation Place became the home to nine new technology business startups.

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2. A significant priority for SOCO has been to clearly communicate what we do, why we do it, and how we do it. Your review of this annual report will demonstrate that a research park is much more than buildings leased to tenants:
   - We've commenced a series of tours of the technical components of our facilities for a variety of business, government and education leaders. The tours typically include greenhouse units, growth chambers, laboratories, the scientific amenities generated at the Energy Centre, our utility corridor distribution system, our bio-kill system, back-up power generation systems, and an explanation of our multi-provider high-availability internet connectivity. Over the last year, dozens of stakeholders have been led through such tours.
   - Innovation Place staff have made excellent progress in developing a corporate communication plan aligned with our strategic direction. We anticipate such a plan to be approved by our Board of Directors early in the 2016-17 fiscal year.

3. SOCO set a priority to increase our activity in prospecting for opportunities which will build on the strength of our various partners:
   - By focusing our prospecting efforts on our strategic partners we're beginning to see some exciting opportunities and results. These include:
     - a corporate innovation centre for "big data";
     - a new mining technology tenant recruited from an initiative organized by the Saskatoon Regional Economic Development Authority;
     - the potential for a new high-tech spin-off from the Canadian Light Source; and,
     - a possible business accelerator initiative.
   - In order to be responsive to this priority, SOCO has reorganized our Marketing department to include the prospecting function. By aligning our prospecting and leasing functions within the same corporate unit we are able to ensure that we can strategically recruit and position our tenants to their best advantage. We will have this unit fully staffed-up in mid-2016.

4. SOCO continues to view efforts to maximize efficiencies as being critical to our future successes:
   - In a strategic and thoughtful manner, and without having reduced customer service levels, we've reduced our workforce by 17% over the last three years.
   - SOCO is participating in a process with a number of other Crown corporations to assess efficiency and savings opportunities through collaboration on a variety of different matters.
   - We have commenced a re-commissioning process for the heating, ventilation, air conditioning and lighting systems in our older buildings. Although we've only completed this process on three of our buildings to date, the modifications have resulted in energy savings of greater than $40,000 for each building annually.

5. SOCO has focused its efforts for tenant retention and attraction on ensuring tenants are a good fit for our key clusters:
    - In mid-2015 we commenced a $32 million updating of facilities to equip the east Atrium building to become the new analytical labs for the Saskatchewan Research Council. This results in addressing the needs of this key anchor tenant for the next two decades, while allowing us to better utilize high end lab space for the purpose it was originally intended.
    - Also in 2015 we secured a new long-term lease with SED Systems, one of our earliest and largest tenants.
    - 2015 also saw three key information technology tenants locate into new and updated facilities in our Regina park: Information Services Corporation, GB Internet Services and Fujitsu.
    - By retaining these key sector anchor tenants, new and developing businesses are attracted to our facilities for the collaboration and partnering opportunities that come from being based at a technology campus.

Accordingly, while we've had a good start at implementing some of our new directions, there is much more to come!

During the year, our Board of Directors gave thoughtful consideration to a review of our balanced scorecard. The purpose of the process was to reconcile the Board's strategic priorities with what was actually being measured. As a result of this, in a subsequent section of this annual report you'll see some substantive changes to our balanced scorecard, all of which are consistent with direction the Board has provided to the Corporation. This type of periodic review of performance measures to ensure alignment with desired outcomes is a good governance practice.

From a governance perspective, the single most apparent change impacting our organization was the move from a fiscal year ending on December 31 to a year end of March 31. This has resulted in the one-time occurrence of a 15-month fiscal period now being reported on. This change was necessitated by the Government of Saskatchewan's change to summary budgeting and financial reporting. As a result, subsidiary organizations, including Crown corporations, will align their reporting periods to be more consistent with our shareholder, as our financial statements are now absorbed as part of the overall summary report. Regardless, in the interests of full transparency, elsewhere in this report we will be reporting on our balanced scorecard outcomes for both the 12-month and 15-month periods.

In 2015 we experienced a change in the membership of our Board of Directors. After more than seven years of dedicated service to our Board, Shauna Fjaagesund left our Board. Collectively we want to thank Shauna for her meaningful contributions to the betterment of SOCO. Also in 2015 Rachel Martinuik joined our Board. Rachel has proven to be a welcome addition to the Board, quickly demonstrating solid business acumen and an eagerness to learn about our operations.

While SOCO takes great pride in the environment we offer to our technology tenants, we are equally proud of the constructive culture environment created by our employees through our corporate culture training. This results in a dedication by each employee to do the best job they can. In 2015 our employee engagement score climbed to 84%! High employee engagement reduces turnover and sick leave usage, enhances productivity and creates an environment where employees make the extra effort to deliver exceptional customer service. We're very proud of our employees, and as our engagement score reflects, our employees are proud to work at Innovation Place.

As you review the contents of this annual report, we want to draw your attention to the most important part of the entire document, the mini-profiles of nine of our tenants which appear throughout the document. We've provided you with a diverse sampling of tenants – large and small, established businesses and new ventures, etc. After all, the reason we exist is to encourage and facilitate business opportunities in Saskatchewan's technology sector. These mini-profiles are little more than teaser descriptions of these businesses; accordingly, we've included their website addresses to help you learn more about these exciting businesses. To learn more about some of our other tenants, go to our website (www.innovationplace.com) and click on *Our Tenants*, which will provide you with a searchable index of all of our approximately 160 technology tenants.

Thank you for your continued interest. We're excited about our future!

Sincerely,

Carol Skelton
Chair of the Board

S.P. (Van) Isman
President and Chief Executive Officer

OUTSIDE THE GALLERIA BUILDING IN SASKATOON

# STRATEGIC DIRECTION

Crown Investments Corporation (CIC) has provided all Crown corporations with an outline of the government's policy objectives and priorities. It has also set out the mandated categories for each corporation's balanced scorecard. The Board has provided further direction to management through their approval of a corporate vision, values and broad goals specific to Saskatchewan Opportunities Corporation (SOCO). The Business Strategy contained in this document is subject to annual review and monitoring by the SOCO Board.

In 2014, SOCO went through an extensive review of its strategic direction which resulted in changes to the Corporation's guiding strategic statements. Although the changes did not represent a major shift in the overall strategic direction for SOCO, they did reflect a shift in priorities for the Corporation.

## VISION

*Through partnerships and collaboration, SOCO is providing the foundation for innovation, research and technology that supports Saskatchewan's economic prosperity.*

## MISSION

To support and facilitate the advancement and success of Saskatchewan's technology and key growth sectors through the development and operation of research parks.

## MANDATE

The object and purpose of the Corporation is to create, encourage and facilitate business opportunities in the Saskatchewan technology sector, primarily through the development and operation of technology parks.

# VALUES

SOCO fully subscribes to the Crown sector values of honesty, integrity, fairness and respect, and social and environmental responsibility. In addition, the following values have naturally grown within SOCO and differentiate us from others in our industry.

### Innovation

Leadership in the introduction of new solutions in design, operations and sustainability.

### Collaboration

Open and accountable in all our partnerships.

### Excellence

The pursuit of quality beyond competence and efficiency to create an attractive and livable work environment for our tenants.

# GOALS

CIC provides all Crown corporations with clear direction for establishing corporate goals. Goals are required to be set in the four categories of Public Purpose, Stakeholders, Financial and Innovation. SOCO's broad corporate goals reflect the mandate and history of the parks.

### Public Purpose

To create awareness, attract and support the development of new technology opportunities by providing world class scientific and social infrastructure that promotes collaboration, growth and innovation.

### Financial

Maintain profitability at a level that supports the success of our parks by prudently managing expenditures and enhancing revenues while providing superior value to our tenants.

### Stakeholders

To enhance innovation and partnerships thereby allowing engagement of stakeholders to achieve their goals and objectives. SOCO recognizes our key stakeholders include: tenants, post-secondary education institutions, industry associations, business communities, government and our employees.

### Innovation

SOCO will promote and utilize innovation practices to empower our stakeholders to stimulate high performing commercial successes.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

The following management discussion and analysis for Saskatchewan Opportunities Corporation (SOCO) should be read in conjunction with the audited consolidated financial statements and notes to those statements for the fifteen month period ended March 31, 2016. What follows will provide the context within which the Corporation's financial statements should be analyzed.

## FORWARD LOOKING INFORMATION

This discussion includes forward looking statements about SOCO's corporate direction and financial objectives. Due to the risks and uncertainties inherent in any forecast, the actual results could differ materially from those anticipated.

## CORE BUSINESS

SOCO operates under the business name Innovation Place. The corporate mission is to support and facilitate the advancement and success of Saskatchewan's technology and key growth sectors. Innovation Place fulfills this mission through the development and operation of technology parks on the campuses of the province's two universities in Saskatoon and Regina.

The Saskatoon campus began operations in 1980 and presently is home to 111 tenants that occupy approximately 1.3 million square feet in 20 separate buildings. The Regina campus, opened in 2000, consists of 6 buildings housing 27 tenants and totaling approximately 465,000 square feet. The number of people working in Innovation Place facilities is approximately 3,690.

The Corporation continues its efforts to re-focus operations on the core business. In 2014, Innovation Place divested the Bio Processing Centre, a facility that was being operated to assist with the development of a number of agricultural product processing facilities in Saskatchewan. As the demand for such services from Saskatchewan businesses had diminished significantly, the decision was made to transfer operations to a third party. The facility continues to be operated by a tenant which has this type of processing as their primary line of business.

Innovation Place also continues to pursue the sale of the Prince Albert Forest Centre building. Opened in 2005, the building was constructed to provide a home base for what was anticipated to be Saskatchewan's growing forest sector. With setbacks in the softwood lumber business and the subsequent closure of the pulp and paper mill in Prince Albert, the sector was contracting and not developing consistent with Government's expectations. After an extended period with high vacancy rates, the building was broadened to accept tenants from all resource sector industries. This only had marginal impact on the building's vacancy issues and subsequently the building was opened to accept all potential tenants. Today the building is 97% occupied; however, only 13% of tenants are private sector firms in the resource industries, with a majority of the building leased to office tenants such as accountants and government departments. Accordingly, as the facility was not being operated in a fashion consistent with the purpose of advancing research and technology, the decision was reached to sell the building. It was listed for sale in 2015, and although there has been some interest expressed in the facility, there has not been a sale negotiated. While we remain hopeful that a sale will materialize in 2016, given the softer economy of this region, this remains unknown.

# RESEARCH PARK CONCEPT

The business model of Innovation Place is based on the typical research park concept. Although research parks are by "*their nature real estate developments, the profitability and expansion of real estate holdings is a minor consideration compared to the focus on leveraging the real estate for broader innovation and economic development goals in the region.*"[1] The focus for Innovation Place is the growth of Saskatchewan's technology sector.

What sets Innovation Place apart from real estate companies is the comprehensive nature of the working environment we provide our tenants and their employees. We believe that our environment must integrate five key aspects: the tenants and clusters; the technical environment; the social environment; the physical environment; and the business environment. A diverse mix of tenants, technology and service tenants, a dynamic social atmosphere and high quality facilities work together to create a community that encourages innovation, collaboration and entrepreneurship.

1 Battelle Technology Partnership Practice, *Driving Regional Innovation and Growth: Results from the 2012 Survey of North American University Research Parks*, August 2013, 6.

## Tenants and Clusters

The primary target for tenants at Innovation Place is Saskatchewan based, private technology companies. These companies are judged by management to have the greatest opportunity for employment growth and will display the strongest ongoing loyalty to Innovation Place and the province. To assist in the success of these companies, we also target business and technical service organizations, research institutes and national and international technology companies.

Clusters of similar organizations are important to technology parks and have played an important role in the success of Innovation Place. Networks developed between organizations and the individuals within those organizations speed the sharing of ideas and information. Industry specific clusters, such as agriculture, share the greatest common interest and collaborate more actively. In Saskatoon the largest clusters include agriculture, life sciences (including biotech), mining and other engineering technology with a smaller but vibrant information and communications technology cluster as well. In Regina the largest clusters include energy, environment and information and communications technology.

Management continues to evaluate all means by which Innovation Place can support the success of existing and appropriate future tenants. All tenants are reviewed from the perspective of their strategic importance to the core technology clusters within the Saskatoon and Regina campuses. Tenants that do not add value to their respective campus clusters are encouraged to relocate to other space within the cities.

An appropriate tenant mix is also ensured by the approval process for prospective tenants. The Regina and Saskatoon parks each have an independent Management Advisory Committee comprised of representatives from the local business community, university and municipal government; these committees review and approve all tenants that locate within park facilities.

coconut
CALENDAR

TENANT PROFILE
### Coconut Calendar

**Summary**

Coconut Calendar, a Saskatoon tenant, focuses solely on Enterprise Appointment Management.

**Highlights**

Their web based solution allows customers to connect with businesses 24/7 and select available appointment times with ease. Corporations benefit from increased efficiency through reduced voicemails, automated appointment reminders and custom staff schedules. Originally targeted to small based businesses, the company now focuses on large enterprise clients and leaders in the telecommunication and financial sectors. Their clients include TELUS, Rogers and London Drugs.

**History**

Coconut Calendar was established in 2007 and is currently expanding their team. In 2016, the company's CEO and founder participated in venture capitalist Neal Dempsey's Running Start Program, a prestigious one month mentorship program in San Francisco for early stage entrepreneurs.

coconutcalendar.com

**Regina Management Advisory Committee**

Dr. David Malloy
Vice President, Research
University of Regina

Mr. Michael Monea
President, Carbon Capture & Storage Initiatives
SaskPower

Mr. Nelson Wagner
Associate Vice President, Facilities Management, University of Regina

Mr. Wayne Clifton
President
Clifton & Associates

Mr. John Lee
President and CEO,
Economic Development Regina

Mr. Jim Nicol
City Clerk
City of Regina

Mr. Larry Hiles
Chair
Regina Region TEC
(The Executive Committee)

**Saskatoon Management Advisory Committee**

Dr. Karen Chad
Vice President, Research
University of Saskatchewan

Ms. Judy Yungwirth
Director, Corporate Administration
University of Saskatchewan

Mr. John Cross
Chair
POS Bio-Sciences

Dr. Laurier Schramm
President and CEO
Saskatchewan Research Council

Ms. Pamela Haidenger-Bains
Retired

Mr. Murray Totland
City Manager
City of Saskatoon

## Technical Environment

The specialized nature of our buildings and infrastructure is a key component in providing the appropriate technical environment required by our tenants. In addition to high quality office buildings we provide research greenhouse space, growth rooms and a variety of laboratory buildings. Our buildings provide tenants with specialized capabilities needed for sophisticated science and technology activities. Mechanical systems provide the air, water and steam in qualities and quantities that far exceed what is normally available commercially. Certain process utilities such as high pressure steam, reverse osmosis water and chilled water for process purposes are distributed on a park wide basis. Other specialized utilities such as biological waste treatment systems are also available in specific buildings.

The park network infrastructure differs from a typical office building as both Saskatoon and Regina have multiple paths to the internet. Bandwidth is allotted to each tenant based on square footage leased and varies from 20Mbps – 100Mbps synchronous service. All equipment providing internet service is on generator provisioned backup power.

The management of the corporate and park network is handled in-house by the Information Technology department. Every building is connected to this network allowing Innovation Place to manage our facilities using automated building management systems for centralized monitoring and control allowing for increased efficiency. Every tenant is connected to the network as they rely on rapid deployment of dependable, high availability access to the internet and research networks for their business success. This shared service is monitored 24 hours a day providing an economy of scale and guaranteed quick response time. It also ensures we are proactive with ongoing management and enhancements of the network. Technology solutions are vital to the continued success of our tenants and Innovation Place as a home for the development of science, business, technology and innovation.

Our tenants have access to a wide range of technical services primarily provided by other tenants in our parks. These include contract research and engineering, analytical laboratories and contract processing. Our own employees supplement these services by offering specialized maintenance, prototype development and electronic monitoring of access systems, building systems and tenant equipment. Our employees follow International Organization for Standardization (ISO) 9000 criteria to manage the maintenance function and ensure high quality results while consistently meeting tenant requirements.

## Social Environment

The interaction of tenants, important for productive collaboration, is enabled through active programming including the organization of social events, business seminars, sports leagues and tournaments, fitness facilities, food services, games rooms, yoga and pilates classes.

Our programming supports an ecosystem that fosters innovation and collaboration for tenants by facilitating forums to network, learn and create business opportunities. During 2015, Innovation Place organized and hosted approximately 100 educational, training and networking programs for our tenants. These covered a broad range of topics for tenants involved in all sectors.

A weekly electronic newsletter distributed to all tenants provides information on tenant activities, campus events and individual or organizational successes.

IDS
Infrastructure Data Solutions

TENANT PROFILE
### Infrastructure Data Solutions

**Summary**

Infrastructure Data Solutions, a Regina tenant, provides infrastructure owners and managers with innovative software solutions and services to address complex infrastructure management challenges.

**Highlights**

IDS provides unique software solutions and services to assist infrastructure asset managers in developing optimized long term renewal plans that maximize system wide condition and minimize risk at the lowest cost. IDS also offers revolutionary cloud based data analytics services. Clients include transportation agencies, municipalities, water utilities and engineering firms.

**History**

IDS was founded in 2012. Originally affiliated with SpringBoard West Innovations, a former Regina tenant, IDS later moved to the Innovation Place Business Centre in 2013. In early 2016, IDS won the American Society of Civil Engineers Innovation Contest award recognizing innovation in business models and technologies for civil engineering projects.

ids.consulting

PatientPrep
by TrueVation

TENANT PROFILE
**TrueVation Technologies**

**Summary**
TrueVation Technologies, a Saskatoon tenant, is a digital health company focused on optimizing doctor – patient interactions in hospitals and clinics.

**Highlights**
TrueVation's mobile application, PatientPrep, facilitates collection of medical information prior to appointments. This proactive approach empowers patients and enhances physician productivity, allowing doctors to focus on diagnosis and solutions rather than data collection.

**History**
The TrueVation team of University of Saskatchewan alumni first met in 2014 at a Hacking Health event at Innovation Place. Here, they received the Most Promising Clinical Application award. The following year, they won both the U of S Industry Liaison Office Tech Venture Challenge and the Wilson Centre i3 Idea Challenge. In early 2016, TrueVation was invited as the first Saskatchewan based company to join New York City's Blueprint Health Accelerator, a program that supports growth of innovative health care companies.

www.truevation.com

The design of buildings and grounds incorporate public spaces that attract employees during the work day and offer multiple opportunities for informal interaction. Food services also act as focal points for employee interaction.

Through these various techniques management supports a sense of community within the campuses that removes barriers to collaboration.

## Physical Environment

The physical environment of our campuses serves an important role as well. Attractive buildings and grounds are intended to provide a credible platform for tenants as they market themselves and their products. Our facilities use the most advanced building systems and the newest green technologies reinforcing our corporate image of innovation and leadership.

The quality of our campuses is also critical in our attempts to attract new tenants and maintain the loyalty of those existing tenants.

Recruitment of new employees, in many cases from locations around the world, is critical to our tenants' success. The employee friendly amenities and high technical quality of the buildings provide tenants with an added tool for recruitment.

## Business Environment

We build unique business relationships with each of our tenants. Business is driven by the view that we are partners with our tenants and we can only truly succeed if they succeed; as such, we work to ensure tenants stay in business.

These unique business relationships are built around several different factors including, but not limited to, how we structure our leases, how we price our product, the risk tolerance we accept and general support provided.

The lease terms available to tenants are flexible. We take into account the stage of development of a young company and the financial realities encountered by technology startup companies.

We take the long term risk on the investment in our specialized buildings while remaining willing to enter into short term lease arrangements with tenants. As a rule we design and construct the specific leasehold improvements needed by individual tenants and incorporate a return on those capital costs into our lease rates. We help tenants reduce costs through economies of scale by constantly seeking out services or capital investments that can be shared by multiple tenants.

The way in which we price our product is important to maximizing both our financial returns and the extent to which we fulfill our mandate. In general we charge a premium over comparable space where such comparisons are possible, for example office space. The premium is justified by the quality of the product and the value the location provides to tenants.

We do, however, need to provide a great deal of flexibility in the way we price space for early stage companies that aren't yet in a position to afford premium space. Supporting these companies is fundamental to fulfilling our mandate and on the practical side they represent the potential to become the major park tenants of the future.

Historically, flexibility has included low initial rates with escalations as the tenants grow and begin to generate more revenue or attract more investment. In some cases rents can also be based on the level of sales achieved by the tenant. As they grow, our income grows.

# CAPABILITY TO DELIVER SUCCESS

## Innovation Place Brand

Innovation Place is recognized as an international leader in the development of infrastructure in support of innovation.

A commitment to sustainable development, evidenced by Leadership in Energy and Environmental Design (LEED®) certification of buildings and the Building Owners and Managers Association of Canada Inc. Building Environmental Standards (BOMA BEST) certification of building operations, contributes to our reputation. Active participation in industry associations and the resulting recognition add credibility to the Innovation Place brand.

This reputation brings visitors from around the world to learn from the experience of Innovation Place. These visitors return to their home countries with an understanding of the quality of Saskatchewan's technology sector, enhancing the reputation of the province internationally.

This reputation also makes Innovation Place the preferred location for technology companies in Saskatchewan.

## Specialized Facilities and Infrastructure

Our world class facilities represent critical infrastructure for technology organizations in Saskatchewan. The specialized laboratories, greenhouses and pilot plants, along with the scientific utilities, are not available in the general real estate marketplace. In addition, the redundant high speed data network is distributed to buildings throughout the parks.

Recognizing the importance the technical, physical and social environments play in achieving our overall objectives, we have formal processes in place to ensure our infrastructure is maintained in a way that supports the long term sustainability of the Corporation. This is achieved through understanding the current and long term infrastructure requirements and employing appropriate maintenance and capital reinvestment practices to ensure requirements are met.

Effective monitoring and reporting of the condition of the physical assets enables management to make informed decisions on where to focus resources in order to extend the functional life of the assets.

solido
DESIGN AUTOMATION

TENANT PROFILE
Solido Design Automation

**Summary**
Solido Design Automation, a Saskatoon tenant, is a leading provider of CAD tools to top semiconductor companies around the world.

**Highlights**
Solido created Variation Designer, the world's top CAD software product for semiconductor variation analysis and debugging. Their technology has been used to create enhanced chips for electronic products, resulting in increased performance, additional battery life and lower consumer costs. Their chips are found in products ranging from phones, tablets and computers to credit cards, TVs and cars.

**History**
Established in 2005, Solido's headquarters in Saskatoon is home to the Product Development and Applications Engineering team. With offices around the world, the company is expanding quickly to serve their growing customer base, including leading semiconductor design businesses and over 1,000 production chip designers.

www.solidodesign.com

## Financially Sustainable

Financial capital for Innovation Place is generated through existing equity, new debt and operating cash flow.

To ensure long term sustainability we manage our profitability, debt levels and operating cash flow at a level that both supports the continued maintenance of our parks and allows for future growth, while still addressing the needs of our shareholder. In the last five years our total investment in capital was $34.2 million, all funded through operating cash flow. During this same five year period we also made equity repayments and dividend payments to CIC totaling $13.9 million.

We are committed to sustainable debt management by continuing to follow our financing policy whereby we only finance capital projects with a cash return sufficient enough to recover the cost of capital and all financing costs.

As new revenue opportunities are limited, we also find innovative ways to control costs while still providing maximum value to our stakeholders. This includes continued focus on process improvements internally but where possible, collaboration with the private sector and other Crowns.

## Strategic Partnerships

A reputation for a partnership approach to business relationships has resulted in strong and productive relationships with several different stakeholders including the Province's universities, contractors, service providers and tenants. We endeavour to collaborate with many different stakeholders to achieve common goals consistent with our mandate and the mandates of our stakeholders. We believe the use of these partnerships to be valuable in creating awareness and attracting new opportunities to Innovation Place.

We leverage the relationships with the two universities to coordinate new business development efforts and ensure we are taking advantage of opportunities arising from the priority areas of research. We are involved with various business organizations and economic development agencies, directly and by providing in-kind support. We also work with our tenants as our partners as they play a large part in contributing to the success of our parks.

Collaboration efforts in 2015 led to significant achievements being realized. The arrangement entered into with Saskatchewan Research Council will not only address their long term facility needs but also will maximize the utilization of our high end lab space. The partnership with the Wilson Centre for Entrepreneurial Excellence provides them the opportunity to pursue their own mandate which directly ties into our objective of leveraging the opportunities coming out of the University of Saskatchewan.

## Skilled and Engaged Workforce

Innovation Place has a highly skilled and engaged workforce. Significant efforts have been placed on building a constructive culture and increasing employee engagement over the last several years. This has worked well – in 2015 the engagement level of Innovation Place employees was 84% – a significant improvement from seven years prior when the employee engagement was 58%.

Our constructive culture encourages collaboration and achievement making it possible for employees to make improvements in every area of their workplace. We feel this is critical to the success of our continued efficiency initiatives. Our corporate value of innovation motivates our employees to pursue creative efficiencies.

To ensure Innovation Place maintains an effective workforce that is productive and provides service quality, we continue to invest in training and other initiatives aimed at improving employee engagement and maintaining our constructive culture. Providing a safe environment for all employees continues to be a priority, as is workforce planning to ensure our future staffing requirements will be met.

# BUSINESS MODEL

## INPUTS

- INNOVATION PLACE BRAND
- SPECIALIZED FACILITIES AND INFRASTRUCTURE
- FINANCIALLY SUSTAINABLE
- STRATEGIC PARTNERSHIPS
- SKILLED AND ENGAGED WORKFORCE

*components of value creation*

## ACTIVITIES

- SUPPORTIVE AND FLEXIBLE BUSINESS ARRANGEMENTS
- ATTRACT AND RETAIN KEY TENANTS
- ASSET MAINTENANCE AND RENEWAL
- TECHNICAL AND SPECIALIZED SERVICES
- BUILD AND MAINTAIN STAKEHOLDER RELATIONSHIPS AND PARTNERSHIPS
- EMPLOYEE TRAINING AND DEVELOPMENT
- EDUCATIONAL AND SOCIAL PROGRAMMING

*value added elements*

## OUTPUTS

- ENVIRONMENT THAT ENCOURAGES INNOVATION, COLLABORATION AND ENTREPRENEURSHIP

*key products*

## OUTCOMES

- NEW TECHNOLOGY COMPANIES
- GROWTH OF EXISTING COMPANIES
- GROWTH TO THE TECHNOLOGY SECTOR IN SASKATCHEWAN
- SUSTAINABLE OPERATIONS

*value generated*

# BUSINESS ENVIRONMENT

Having a healthy balance of vacant space is necessary for Innovation Place to meet its mandate to grow the technology sector. Historically, we have defined a healthy balance as a 5% vacancy benchmark. Having vacancy allows Innovation Place to respond to sudden tenant growth and to have space available as soft landing sites for new companies starting up or moving to Saskatchewan.

Continued pressure in the Province's resource sector has a direct impact on Innovation Place. During 2015 we saw reductions in space for two of our large engineering tenants in Saskatoon. This has also resulted in the downsizing of a significant tenant in Regina. In addition to the direct impact on vacancy we see related impacts as tenants remaining in the parks reduce their discretionary spending. The pressures on the provincial economy resulting from lower commodity prices and reduced development have a direct negative impact on our operations.

The continued higher than normal vacancy levels in both Saskatoon and Regina create financial and operational pressures for Innovation Place. As landlords in these cities attempt to reduce their vacancy, the risk of losing existing key tenants integral to maintaining current clusters increases. Increased pressures in the marketplace also reduce, and in some cases eliminate, the opportunity to achieve rate increases on lease renewals.

The historic approach which Innovation Place has utilized was focused on continued growth through the development of additional buildings when it was anticipated demand was warranted. This allowed tenants that were growing to be moved into new facilities, with their previous facilities being allocated to new or smaller tenants. With future development unlikely in the short term, this model is no longer applicable. Accordingly, our Board has emphasized that efforts should be focused on attracting and retaining tenants that are an appropriate fit with our key technology sectors. This may result in a vacancy rate which could be somewhat higher than is desirable; however, it does allow the Corporation to focus on its reason for being. While this does present some operational challenges from time to time, the Corporation will continue to be focused on ensuring we are attracting tenants which are the best fit for our strategic clusters.

INNOCORPS

TENANT PROFILE

## Innocorps Research Corporation

**Summary**

Innocorps Research Corporation, a Saskatoon tenant, provides innovative water treatment solutions for the oil and gas industry.

**Highlights**

Their energy efficient, fully mobile water treatment system facilitates the reuse and recycling of contaminated water on site. The self sustaining process is particularly valuable in remote locations, where on site treatment provides affordable, accessible water and reduces transportation, storage and disposal costs.

**History**

Innocorps was launched in 2009 by three entrepreneurial engineers, all University of Saskatchewan alumni. Since then the company has established a notable presence in the fracking, mining, remediation and desalination industries. In 2014 Innocorps won the U of S Industry Liaison Office Tech Venture Challenge, an accomplishment that supported their growth strategy through new business opportunities.

www.innocorps.com

Largely a function of the factors noted previously, both the Saskatoon and Regina parks are experiencing relatively high vacancy rates. During the four year period from the beginning of 2010 through to the end of 2013, our overall vacancy levels were always below 5%, and through most of this period below 3%. The overall vacancy level has been gradually increasing since 2012 and currently sits at approximately 10%.

This higher vacancy situation is consistent with commercial vacancy trends in both cities. By way of example, at December 31, 2015, Colliers International advise that vacancy rates in Saskatoon and Regina are 14.32% and 12.70% respectively. As of March 31, 2016, our vacancy rates of 10.86% (Saskatoon) and 8.49% (Regina) are significantly better that the noted comparisons; however, these rates are much higher than our historic experience.

Given our current lack of new buildings coming online in the foreseeable future, we view this somewhat higher vacancy as being an opportunity to attract new businesses to our parks and to Saskatchewan. We project that the current high vacancies will decline steadily over the next few years. Through our proposed leasing program, our five year projections show the vacancy rate declining below 5% in 2018/19 and lower thereafter.

# BALANCED SCORECARD RESULTS

CIC provides all Crown corporations with clear direction for establishing long term planning. Corporate objectives, measures and targets are established for the required categories of Public Purpose, Stakeholders, Financial and Innovation. The balanced scorecard (BSC) is used to measure and report performance and results for these goals.

A complete review of all balanced scorecard measures was completed during 2015 to ensure that SOCO is focusing on measuring key success most relevant to the current strategic direction of the company. This review resulted in several changes being made to strategic objectives and the associated measures that will be utilized for 2016/17 BSC reporting.

To illustrate this, our first two measures (Employment within Innovation Place; and, Economic impact of tenants) are being discontinued after this current BSC report. Our Board of Directors has indicated that their priority is clearly more new and developing technology businesses rather than larger technology businesses. Further, consistent with our strategic priority to ensure that all tenants are appropriate for a research and technology park, through the last two years a number of tenants who have not been a good fit for the parks have been asked to vacate when their leases were to expire. Accordingly, as we have intentionally undertaken specific actions which negatively impact these BSC measures, it is inconsistent to view such measures as being an accurate measure of our desired outcomes.

As a result of the above, certain new measures have been developed and will be implemented in 2016/17. These measures are more consistent with our public purpose and measure current and long-term outcomes such as: Percentage of tenants benefiting from flexible and supportive business arrangements; and, percentage of businesses which started at Innovation Place which are still operational in Saskatchewan. This last measure is particularly telling, as it considers successful businesses which had their genesis and development phases at Innovation Place but have now graduated beyond our facilities as they've moved into full production mode. Examples of such firms are Vecima Networks and Bioriginal Food and Science, which between the two employ several hundred people in Saskatchewan. Although no longer tenants, these corporations are clearly success stories for Innovation Place.

## Indicator Legend

Indicator lights are used to illustrate Balanced Scorecard performance.

| | |
|---|---|
| | Exceeded target by 20% or greater |
| | On target |
| | Slightly off target by up to 20% |
| | Off target by greater than 20% |
| | Status unknown |

## Public Purpose

To create awareness, attract and support the development of new technology opportunities by providing world class scientific and social infrastructure that promotes collaboration, growth and innovation.

**Job Creation / Attract Technology Opportunities**

| 1 Employment within Innovation Place (removed) | |
|---|---|
| 2014 Actual | 4,316 |
| 2015 Target (12 months) | 4,260 |
| **2015 Actual (12 months)** | **3,945** |
| 2015/16 Actual (15 months) | 3,902 |
| 2016/17 Target | N/A |

During the twelve month period ending December 31, 2015 there was a decrease of 371 employees at Innovation Place and a further decrease of 43 employees during the following three month period. The decrease in employees is the result of the current economic condition within the province. In addition to the direct impact of increased vacancy in the parks, certain large tenants also scaled back on the number of employees during the period.

As previously noted, employment within Innovation Place will not be used as a BSC measure for 2016/17.

| 2 Independent analysis of economic impact of Innovation Place tenants (removed) | |
|---|---|
| 2014 Actual | $831M |
| 2015 Target (12 months) | $863M |
| **2015 Actual (12 months)** | **$759M** |
| 2015/16 Actual (15 months – annualized) | $751M |
| 2016/17 Target | N/A |

Historically the annual economic impact value was confirmed through the Economic Impact Survey. As Innovation Place implemented fiscal restraint measures in 2015, the decision was made not to incur the cost for this survey. In lieu of the actual data, the year end economic impact value was calculated based on the same methodology used each quarter: the actual economic impact per employee from the 2014 survey was multiplied by the 2015 year end employment population. With the decrease in the number of employees at Innovation Place in 2015, there is a corresponding decrease in estimated economic impact for the year.

As previously noted, independent analysis of the economic impact of Innovation Place tenants will not be used as a BSC measure for 2016/17.

| 3 Number of tenants locating from outside the Province | |
|---|---|
| 2014 Actual | 3 |
| 2015 Target (12 months) | 4 |
| **2015 Actual (12 months)** | **1** |
| 2015/16 Actual (15 months) | 1 |
| 2016/17 Target | 4 |
| 2017/18 Target | 4 |

Companies establishing new facilities in Saskatchewan clearly bring new technology opportunities to the Province. During 2015 one new tenant from outside the province occupied space at Innovation Place. During the past eight years 23 private companies from outside Saskatchewan have established a presence in Innovation Place.

Innovation Place does not typically market aggressively to companies outside the province; however, we collaborate with industry organizations to build international awareness. We continue to work with numerous potential tenants and organizations including the Saskatoon Regional Economic Development Authority (SREDA), Economic Development Regina (formerly Regina Regional Opportunities Commission) and Innovation, Science and Economic Development Canada (formerly Industry Canada).

Communications also commenced with Tech Edmonton and the Canadian Digital Media Network to gain a better understanding of potential collaboration opportunities and increase the awareness of Innovation Place outside the provincial borders.

| 4 Number of new startup companies locating at Innovation Place | |
|---|---|
| 2014 Actual | 6 |
| 2015 Target (12 months) | 10 |
| **2015 Actual (12 months)** | **9** |
| 2015/16 Actual (15 months) | 10 |
| 2016/17 Target | 10 |
| 2017/18 Target | 10 |

Local companies involved in technology continue to be our primary target market as they are the most prone to grow and stay in Saskatchewan. Encouraging the establishment of new companies increases the potential for corporate successes that can dramatically impact the economy.

Management actively markets within the province to inform and attract startup companies to Innovation Place. Innovation Place has supported the establishment of 72 new private sector startup companies since 2007.

Once again in 2016, Innovation Place is sponsoring the Tech Venture Challenge in partnership with the University of Saskatchewan's Industry Liaison Office. It is anticipated that this will lead to a new technology startup company in the Saskatoon park by mid-2016.

Partnerships will be a key focus during 2016 and discussions continued with organizations such as Saskatoon Regional Economic Development Authority (SREDA), Economic Development Regina (formerly Regina Regional Opportunities Commission), Regina Technology Community, Futurpreneur Canada, Square One and the Saskatchewan Capital Network to identify startup companies and resources.

**Support Technology Opportunities**

| Percentage of tenants benefiting from flexible and supportive business arrangements (new) | |
|---|---|
| 2015/16 Actual (15 months) | N/A |
| 2016/17 Target | 28% |
| 2017/18 Target | 29% |

Supporting technology opportunities has always been a key component of our strategy but we have previously not had a corresponding BSC measure. For 2016/17 a measure will be added that captures the unique business arrangement we provide to tenants. The measure will reflect only those flexible and supportive business arrangements that are considered significant in contributing to the success of the tenant (lease rates, specialized lease terms, accounts receivable tolerance, other financial considerations and space sponsorship).

The target for 2016/17 is based on an estimate of the current number of tenants who are receiving financial or in-kind assistance with a direct and meaningful impact on advancing or sustaining their growth based on current business situations.

| Percentage of businesses which started at Innovation Place that are still operational in Saskatchewan (new) | |
|---|---|
| 2015/16 Actual (15 months) | N/A |
| 2016/17 Target | 72% |
| 2017/18 Target | 72% |

This is a new measure for 2016/17. The measure reflects the effectiveness of our activities aimed at assisting tenants in their success. The target is based on our historical results. Of the 136 companies who started operation at Innovation Place, 97 are still in operation in Saskatchewan.

**Create Awareness**

| Percentage of stakeholders aware of Innovation Place and its purpose (new) | |
|---|---|
| 2015/16 Actual (15 months) | N/A |
| 2016/17 Target | 50% |
| 2017/18 Target | 75% |

This is a new measure to be used for 2016/17. While we have historically included a measure on public awareness in our BSC measures, we feel it is more appropriate to measure awareness within a more focused stakeholder group and narrow the definition of awareness.

By building awareness within the stakeholder group, we will set the tone for collaboration and be particularly beneficial to business prospecting and development.

**Private Sector Engagement**

| Percentage of non-government tenants (new) | |
|---|---|
| 2015/16 Actual (15 months) | N/A |
| 2016/17 Target | 85% |
| 2017/18 Target | 85% |

Although this is a new measure for 2016/17, this information has been tracked and monitored for several years. A tenant qualifies for this measure when they are not deemed to be a federal, provincial or municipal government department or Crown corporation.

## Stakeholders

To enhance innovation and partnerships thereby allowing engagement of stakeholders to achieve their goals and objectives. SOCO recognizes our key stakeholders include: tenants, post-secondary education institutions, industry associations, business communities, government and our employees.

### Support from Ownership

| 5 Percentage of general public aware of and have a positive opinion of Innovation Place (removed) | |
|---|---|
| 2014 Actual | 99% |
| 2015 Target (12 months) | 98% |
| **2015 Actual (12 months)** | **N/A** |
| 2015/16 Actual (15 months) | N/A |
| 2016/17 Target | N/A |

The General Public Awareness survey was not completed in 2015 due to fiscal restraint measures.

This measure will not be utilized for 2016/17. As previously noted, it has been replaced by a measure focused on building awareness within the stakeholder group.

### Tenant Satisfaction

| 6 Percentage of CEOs that would recommend Innovation Place to another organization | |
|---|---|
| 2014 Actual | 97% |
| 2015 Target (12 months) | 98% |
| **2015 Actual (12 months)** | **97%** |
| 2015/16 Actual (15 months) | 97% |
| 2016/17 Target | 98% |
| 2017/18 Target | 98% |

To ensure Innovation Place meets customer growth challenges while maintaining high level of service quality and customer satisfaction, the Corporation surveys tenant CEOs and asks them "Would you recommend Innovation Place to potential tenants?" to determine overall satisfaction.

The extent to which our tenants approve our strategies is key to future financial performance and is indirectly related to their own ability to grow and to support our growth through tenant referrals.

The survey results show that over 97% of the CEOs would recommend Innovation Place to potential tenants. This high rating reflects both the quality of facilities and the quality of operations. Specific examples include the timeliness of maintenance response, the availability of specialized services on site, the specialized nature of the facilities and the active social environment.

The attractiveness of the physical environment and the park amenities also contribute to tenant satisfaction by assisting tenants' marketing and recruitment efforts.

**Skilled and Productive Workforce**

| 7 Percentage of employees fully engaged in their work | |
|---|---|
| 2014 Actual | 81% |
| 2015 Target (12 months) | 80% |
| **2015 Actual (12 months)** | **84%** |
| 2015/16 Actual (15 months) | 84% |
| 2016/17 Target | 80% |
| 2017/18 Target | 80% |

An annual survey of employees conducted by Aon Hewitt determines the Corporation's level of employee engagement and then ranks that level against small and medium sized companies across Canada. The survey incorporates all three drivers of engagement - say, stay and strive (engaged employees generally say positive things about their company, want to stay at their company and strive to do their best work so their company succeeds).

Although the 2015 result of 84% reflected an increase over the result for 2014, due to a change in methodology, Innovation Place was not recognized on Canada's list of top 50 small and medium employers. This high engagement level is the result of the continued efforts of both management and employees.

| 8 Average training days per employee | |
|---|---|
| 2014 Actual | 7.0 |
| 2015 Target (12 months) | 3.0 |
| **2015 Actual (12 months)** | **3.6** |
| 2015/16 Actual (15 months) | 4.2 |
| 2016/17 Target | 3.0 |
| 2017/18 Target | 4.0 |

To ensure Innovation Place builds an effective workforce that is productive and provides service quality, management places value in employee training. We dedicate an average number of days per employee to be invested in enhancing the knowledge and skills of our employees.

The annual target is generally 5 days per employee. The reduction in the targeted training days for 2015 to 2017/18 is not an indicator that training is less of a focus for Innovation Place. It is merely a short term reduction aimed at partially offsetting the financial impact of higher vacancy being realized.

**Build and Maintain Partnerships**

| Number of unique business partnerships in place to advance the goals of Innovation Place (new) | |
|---|---|
| 2015/16 Actual (15 months) | N/A |
| 2016/17 Target | 9 |
| 2017/18 Target | 11 |

This is a new measure for 2016/17. Although collaboration is a corporate value expected to be reflected in all dealings with stakeholders and partners, this measure is focused on capturing the quantity of partnerships where we play an active and meaningful role and the outcome of the partnership includes the advancement of a strategic objective of Innovation Place.

## Financial

Maintain profitability at a level that supports the success of our parks by prudently managing expenditures and enhancing revenues while providing superior value to our tenants.

**Return on Investment**

| 9 Cash return as a percentage of cost of assets | |
|---|---|
| 2014 Actual | 4.67% |
| 2015 Target (12 months) | 4.48% |
| **2015 Actual (12 months)** | **4.65%** |
| 2015/16 Actual (15 months) | 4.58% |
| 2016/17 Target | 4.13% |
| 2017/18 Target | 4.81% |

Cash from operations represents the capital available to meet our mandate and our public purpose goal by funding future growth. Adequate cash from operations is also needed to maintain our assets and ensure the financial stability of our company.

Cash from operations as a percentage of the original cost of assets is used as the primary measurement of financial performance because it is not impacted by internal accounting or financing policies. It is also easily compared to other real estate companies. Cash from operations consists of earnings before interest and amortization. Interest expense is excluded from the calculation to expose the true cash generation potential of the assets.

The Corporation's long term benchmark for cash return is 5%. The last industry comparison, completed late in 2012, confirms Innovation Place performs within the range of the industry average range (4% to 9%) for companies its size.

| 10 Vacancy as a percentage of total space inventory | |
|---|---|
| 2014 Actual | 7.7% |
| 2015 Target (12 months) | 8.3% |
| **2015 Actual (12 months)** | **9.6%** |
| 2015/16 Actual (15 months) | 10.0% |
| 2016/17 Target | 7.7% |
| 2017/18 Target | 5.9% |

Vacancy is a standard industry measure that allows for easy benchmarking. It provides us with valuable information beyond simple comparison. To meet our mandate we must maintain a certain level of vacancy so we are capable of reacting to opportunities. Rather than attempting to minimize vacancy we have the responsibility to properly manage vacancy to balance the need for inventory with the cost in lost revenue from vacant space.

Our vacancy levels provide us with the opportunity to expand existing tenants to meet their forecasted growth needs. Innovation Place has taken advantage of the vacant space to expand 35 existing tenants in 2015 and explore long term expansion solutions with a number of other tenants.

Although vacancy did increase during 2015, Innovation Place continues to have less vacancy than has been recently reported from the local marketplace. In general, real estate forecasts predict the office market will stabilize in 2016 but will not begin to see improvement until the price of oil recovers in 2017.

**Sustainable Financial Position**

| 11 Debt as compared to equity | |
|---|---|
| 2014 Actual | 15.36% |
| 2015 Target (12 months) | 16.25% |
| **2015 Actual (12 months)** | **14.15%** |
| 2015/16 Actual (15 months) | 14.02% |
| 2016/17 Target | 27.05% |
| 2017/18 Target | 32.16% |

To measure the financial sustainability of the company we monitor our debt ratio. The measure reflects the net outstanding debt as a percentage of the total corporate financing structure (debt plus equity). Net outstanding debt includes notes payable and long term debt, and is net of cash available to repay debt.

The ratio at December 31, 2015 is below the target for the year due to the high cash balance at the end of the period. Also contributing to the variance is the higher equity balance. The budgeted sale of the Prince Albert Forest Centre, and the associated equity repayment of the net proceeds, did not materialize resulting in a higher equity balance at the end of the period.

The increasing ratio reflects the utilization of debt to fund a significant capital project being constructed over the next few years. The forecasted ratio for the short term is well under the long range debt ratio of 60%.

**Operating Efficiency**

| 12 Corporate administration as a percentage of revenue | |
|---|---|
| 2014 Actual | 11.64% |
| 2015 Target (12 months) | 12.15% |
| **2015 Actual (12 months)** | **11.40%** |
| 2015/16 Actual (15 months) | 11.67% |
| 2016/17 Target | 11.92% |
| 2017/18 Target | 11.63% |

In an effort to measure our administration costs against industry standards we compare our corporate administration costs against total revenue. This measure of operating efficiency is a standard industry ratio and allows easy comparison against both industry standards ranges and individual publicly traded companies.

The last industry comparison, completed late in 2012, confirms Innovation Place performs at the efficient end of the industry average range (4% to 31%) for companies its size.

Although total revenue was below budget for the year due to increased vacancy in the parks, reductions in administration expenses were realized through continued cost control measures. The net result is a decrease in the percentage of 0.75% (reflecting a favourable variance of 6.2%).

| 13 Building operating cash flow per square foot | |
|---|---|
| 2014 Actual | $11.45 |
| 2015 Target (12 months) | $11.33 |
| **2015 Actual (12 months)** | **$11.35** |
| 2015/16 Actual (15 months) | $11.17 |
| 2016/17 Target | $10.98 |
| 2017/18 Target | $14.00 |

Building operating costs (utilities, taxes, insurance, and maintenance) are subtracted from total rental revenue. The remaining total is divided by the gross area of all Innovation Place buildings. The net dollar amount per square foot measures both the efficiency level of building operating costs and the success in revenue maximization. The measure can be compared to the local market where information is available; however, many landlords prefer not to share information on their net cash flow.

The decrease in cash flow per square foot during the twelve month period ended December 31, 2015 is the direct result of increased vacancy in the parks. This trend is expected to continue through 2016/17 as vacancy levels are expected to be higher for most of the year. Results are expected to improve for 2017/18 as vacancy levels decrease and the SRC capital project is completed.

## Innovation

SOCO will promote and utilize innovation practices to empower our stakeholders to stimulate high performing commercial successes.

**Sustainability**

| 14 Attain "BOMA BESt" average points per building (out of 1,000) | |
|---|---|
| 2014 Actual | 822 |
| 2015 Target (12 months) | 817 |
| **2015 Actual (12 months)** | **817.49** |
| 2015/16 Actual (15 months) | 817.49 |
| 2016/17 Target | 817 |
| 2017/18 Target | 818 |

The Building Owners and Managers Association (BOMA) is the dominant Canadian and international industry association for building owners. BOMA Canada has instituted a process by which the environmental impact of buildings can be measured and compared against the performance of buildings across Canada. BOMA BESt measures the sustainability of building operations including waste management, energy and water usage.

In 2013 BOMA Canada modified the BOMA BESt program methodology. Scoring is based on a number of different criteria with the major area being the utility usage for the building. The BOMA BESt program's point level for utility usage had the median level decreased effectively making it more difficult to get points in the past.

Six buildings in Saskatoon and Regina were recertified during the twelve month period ending December 31, 2015. Due to the changes in benchmarking scales in the water and energy modules, the scores have decreased compared to the previous certification resulting in a decrease in the overall score as expected. The overall score is above target due to three of the buildings in Saskatoon scoring slightly higher due to a slight decrease in energy and water consumption.

As all buildings have now been reassessed under the new criteria, we anticipate the program to allow us to report on normalized energy consumption in the future which could result in higher targeted scores.

| 15 Building condition score | |
|---|---|
| 2014 Actual | 88 |
| 2015 Target (12 months) | 85 |
| **2015 Actual (12 months)** | **88.41** |
| 2015/16 Actual (15 months) | 88.41 |
| 2016/17 Target | 85 |
| 2017/18 Target | 85 |

The building condition score measure was adopted in 2014. The scoring system used was internally developed as a management tool to ensure all departments involved in the management of the buildings have a common understanding of condition and areas of priority. The model building score (2015 target) reflects the acceptable standard set for Innovation Place. The condition of a variety of elements and systems within an asset are assessed individually, and then those ratings are rolled up into a total score reflecting the overall condition of that asset. Assets are assessed every two years.

In total, there were nine buildings assessed during the twelve month period ended December 31, 2015. The consolidated score for assets assessed in the last two years is 88.41.

# FINANCIAL

**Comparison of 2015 Results with 2014 Results** ($millions)

| | 2015 Actual | 2014 Actual | Change |
|---|---|---|---|
| Revenue | $38.1 | $39.4 | ($1.3) |
| Expenses | (35.3) | (35.6) | (0.3) |
| Net Finance Expense | (1.5) | (1.4) | 0.1 |
| Net Loss From Discontinued Operations | - | (0.1) | (0.1) |
| Net Income | $1.3 | $2.3 | ($1.0) |
| | | | |
| Total Assets | $189.0 | $191.1 | ($2.1) |
| Total Debt | $36.7 | $36.7 | - |
| | | | |
| Net Cash Provided by Operating Activities | $10.3 | $10.4 | ($0.1) |
| Total Capital Investment | $3.2 | $6.2 | ($3.0) |
| Dividends Paid | $1.1 | $1.4 | ($0.3) |
| Equity Repayment | $2.0 | $2.0 | - |

Revenue for the twelve month period ended December 31, 2015 is down $1.3 million due to higher vacancy rates experienced in 2015.

The $0.3 million decrease in operating expenses for the twelve month period ended December 31, 2015 is primarily due to lower utility expenses as a result of a warmer winter weather experienced in 2015. Reductions in discretionary expenditures also contributed to reducing operating expenditures.

The decrease in capital expenditures of $3.0 million in 2015 was the result of a lower requirement for tenant improvement projects.

**Comparison of Actual Results to the Approved Budget for the Twelve Month Period Ended December 31, 2015** ($millions)

| | 2015 Actual | 2015 Budget | Variance |
|---|---|---|---|
| Revenue | $38.1 | $44.5 | ($6.4) |
| Expenses | (35.3) | (35.9) | (0.6) |
| Net Finance Expense | (1.5) | (1.5) | - |
| Net Income | $1.3 | $7.1 | ($5.8) |
| | | | |
| Total Assets | $189.0 | $182.9 | $6.1 |
| Total Debt | $36.7 | $36.7 | - |
| | | | |
| Net Cash Provided by Operating Activities | $10.3 | $13.0 | ($2.7) |
| Total Capital Investment | $3.2 | $7.5 | ($4.3) |
| Dividends Paid | $1.1 | $1.6 | ($0.5) |
| Equity Repayment | $2.0 | $13.5 | ($11.5) |

The 2015 budget reflected the assumption the Forest Centre building in Prince Albert would be sold mid-year, generating a gain on sale of $5.5 million. The net proceeds of $11.5 million were budgeted to be passed through to CIC by way of an additional equity repayment. Although offers were received on the property, the offers were well below the listed price and the property was not sold during the period.

Of the $5.8 million variance in net income for the twelve month period, $5.3 million relates directly to the Prince Albert property not being sold during the period. The net $0.5 million variance is the result of vacancy levels being higher than budgeted. The overall financial impact was partially offset by decreased expenses from cost restraint measures implemented during the period.

Total capital expenditures were $4.3 million below budget for the year. The variance is due to a combination of project timing and scope changes.

**Results for the Three Month Period Ended March 31, 2016** ($millions)

| | 2016 Actual (3 months) | 2015 Actual (3 months) | Change |
|---|---|---|---|
| Revenue | $9.1 | $9.2 | ($0.1) |
| Expenses | (8.3) | (8.1) | 0.2 |
| Net Finance Expense | (0.4) | (0.3) | 0.1 |
| Net Income | $0.4 | $0.8 | ($0.4) |

Net income for the three month period ended March 31, 2016 was $0.4 million, reflecting a $0.4 million decrease from the comparative prior period. The decrease is the result of an increase in overall vacancy in the parks and a slight increase in operating expenses.

# OUTLOOK

**Comparison of 2016/17 Budget with 2015 Actual Results** ($millions)

| | 2016/17 Budget | 2015 Actual | Variance |
|---|---|---|---|
| Revenue | $39.5 | $38.1 | $1.4 |
| Expenses | (37.8) | (35.3) | 2.5 |
| Net Finance Expense | (1.6) | (1.5) | 0.1 |
| Net Income | $0.1 | $1.3 | ($1.2) |
| | | | |
| Total Assets | $198.3 | $189.0 | $9.3 |
| Total Debt | $55.7 | $36.7 | $19.0 |
| | | | |
| Net Cash Provided by Operating Activities | $13.1 | $10.3 | $2.8 |
| Total Capital Investment | $25.3 | $3.2 | $22.1 |
| Dividends Paid | $0.1 | $1.1 | ($1.0) |
| Equity Repayment | $10.0 | $2.0 | $8.0 |

The budgeted net income for the year ended March 31, 2017 is $0.1 million reflecting a decrease of $1.2 million when compared to the net income of $1.3 million realized for the twelve month period ended December 31, 2015.

The increase in revenue is the result of increased occupancy cost recoveries and rate increases being realized on a few lease renewals in 2015. These increases were exceptions in that the majority of current leases being renewed are being renewed at existing rates or with modest increases. High vacancy rates in both the Regina and Saskatoon marketplaces continue to place pressure on rental rates. Although vacancy rates are expected to decrease during 2016/17 the impact on revenue is minimal given the expected timing of filling vacant space.

There are several factors leading to the increase in expenses. In an effort to reduce expenses in 2015 certain maintenance projects were deferred to 2016/17, and vacant staff positions held vacant for extended periods during the year. In addition to the reversing impact these items have on expenses we expect normal inflationary increases for most expense items. We also expect higher amortization on investment properties and other non-recoverable building costs.

The capital budget reflects a total investment of $25.3 million for 2016/17. $16.9 million of this total relates directly to the SRC project. The remaining amount budgeted is consistent with the amount normally allocated for capital projects.

Total debt is budgeted to increase $19.0 million by March 31, 2017 as the SRC project is entirely debt financed.

# RISK

Innovation Place is in compliance with CIC's Risk Management Minimum Standards Policy. The Corporation has a Risk Management Framework which outlines its risk policy, stakeholders, principles and processes. Innovation Place has implemented a system to assist management with risk identification, assessment, documentation and reporting. Senior management has been trained on the concepts and components of the risk management system and the system has been updated to include corporate and departmental risks. Executive Committee and the SOCO Board of Directors receive regular updates and reporting as required.

Innovation Place considers risks as those factors that may inhibit the ability to meet the corporate mission as measured by the strategic objectives outlined in our Performance Management Plan.

Management has identified and discussed the top corporate risks with our Board of Directors. The nature of these risks, along with efforts to mitigate them is summarized as follows:

## Finite Amount of Space

**Risk** Being unable, with a finite amount of space, to support the growth of existing tenants and the establishment of new tenants.

**Mitigation** Management assesses potential tenants according to their strategic fit in core technology clusters. The Management Advisory Committees also review and approve all prospective tenants to ensure they are an appropriate fit for the parks. Existing tenants are continually monitored from the perspective of their strategic importance to the core technology clusters. Tenants that are not part of these core clusters are treated with less of a priority and in some cases encouraged to leave the parks.

## Loss of Significant Tenants

**Risk** Losing a significant tenant or several tenants in one industry which will negatively impact financial results, an industry cluster and / or the value for remaining tenants.

**Mitigation** Management continues to make special efforts to retain key strategic tenants.

## Financial Sustainability

**Risk** As vacancy levels increase amongst established tenants, as well as the expectation that further startup companies lacking the capacity to pay full lease rates will locate in the parks, profitability will decrease.

**Mitigation** We prudently manage our expenditures and have implemented several efficiency initiatives which have served to reduce our expenditures.

## Key Employees

**Risk** Being unable to attract and retain key employees.

**Mitigation** We are committed to an effective workforce and have invested in a corporate cultural transformation resulting in a dramatic increase in our employee engagement levels.

## Value Awareness

**Risk** Existing or potential tenants do not recognize the value of being located in the parks as well as private real estate firms perceiving us as being competitors, specifically in leasing office space.

**Mitigation** Communicate to stakeholders what differentiates our product, namely that:

- Our facilities represent critical infrastructure for technology organizations in Saskatchewan;
- Specialized laboratories and greenhouses are not available in the general real estate marketplace; and
- Scientific utilities and a high speed data network are distributed to buildings throughout the parks.

## Infrastructure Sustainability

**Risk** Specialized infrastructure is not maintained at the level required to support the long term needs of technology tenants.

**Mitigation** An asset management program has been developed to continually monitor the condition of physical assets and ensure maintenance and capital reinvestment activities are sufficient, and linked to the overall objectives of each building.

### Technology Clusters

**Risk** Opportunities available to us with respect to technology clusters are not taken advantage of.

**Mitigation** We have restructured our Marketing department to allow for more focus to be placed on prospecting to collect information on priority areas of research.

## ACCOUNTABILITY AND CONTROLS

### External Audit

The Corporation's annual financial statements are audited by an independent auditor. The external auditor is appointed by Order In Council, with the appointment typically reviewed every five years. The current external auditor, Virtus Group LLP is in their third year of the five year term.

The Provincial Auditor Act gives the Provincial Auditor the responsibility, authority and independence to audit and publicly report on all government organizations. As such, the external auditor coordinates the involvement of the Provincial Auditor in the Corporation's audit. The coordination of the audit is conducted in accordance with the recommendation of the Task Force on the Roles, Responsibilities and Duties of Auditors, which recommends various protocols.

### Internal Audit

In June 2006, an internal audit function was established at CIC to assist in providing an independent, objective view of the effectiveness of internal controls for Crown corporations who do not have the resources to support an internal audit department.

The internal audit employees are employed by CIC and their offices are also located there. An Internal Audit Charter was presented to the Audit and Finance Committee and subsequently approved by the Board of Directors on August 27, 2008. The Charter outlines the purpose, authority, reporting structure and responsibilities of internal audit activity.



OVERLOOKING THE GARDEN PARK AND BEYOND IN SASKATOON

# CORPORATE GOVERNANCE

## BOARD OF DIRECTORS

as at March 31, 2016

**Honourable Carol Skelton, PC**
Chair

Carol Skelton was born in Biggar, Saskatchewan and is well respected for the service she has provided to Saskatchewan residents. After starting a career away from the farm she worked with Avon Canada and quickly became a top District Manager. She then worked as sales and account representative for several radio stations, where she focused on business development and account management. Carol then worked for the Canadian Red Cross Society as a Community Services Coordinator and then moved to Canadian Blood Services to work in rural community development. Carol was also a Senior Associate at Martin Charlton Communications until the end of 2014.

In 2000, Carol was elected as the Member of Parliament for Saskatoon-Rosetown-Biggar and re-elected twice after. She was the Deputy Leader in Opposition and in Government she was Minister of National Revenue, Minister of Western Economic Diversification and Political Minister for Saskatchewan – all at the same time. She was also a member of the Treasury Board, Operations Cabinet Committee, Social Affairs Cabinet Committee and the House of Commons Board of Internal Economy. While in office, Carol also devoted considerable attention to agricultural, aboriginal, public health and disability issues.

In 2008, she chose not to seek re-election. She was appointed to the Security Intelligence Review Committee (SIRC) by the Federal Government but retired in the summer of 2012 from her position as Interim Chair of the committee.

In Saskatchewan, she has held Board positions with the Saskatchewan Research Council, the Health Minister's Advisory Committee on Alcohol, Drugs and Youth, the Saskatchewan Alcohol and Drug Abuse Commission, Tourism Saskatoon, Saskatoon City Hospital, The Child Welfare Review Panel and Information Services Corporation. In the spring of 2013, Carol was appointed Chair of Saskatchewan Opportunities Corporation. In March of 2015, Carol was appointed to the Royal Canadian Mint Board of Directors.

She sits as a member of the Executive Cabinet for the Canadian Red Cross in Saskatchewan, was also a long-serving volunteer with the Canadian 4-H Council and is a strong supporter of the Canadian Cancer Society and Heart and Stroke Foundation.

With her husband Noel, they operated Skelton Farms for more than 45 years. Together they have three children and five grandchildren.

TUCKED AWAY IN THE ZEN GARDEN AT THE GARDEN PARK IN SASKATOON

**Mark Regier**
Vice Chair and Chair, Audit & Finance Committee

Mark Regier has been with Saskatoon Prairieland Park Corporation for the past 25 years, 6 years as Controller and 19 years as Chief Executive Officer. He has received a Certified Fair Executive Designation from the International Association of Fairs & Exhibitions for his work in the fair industry. Mark is past President of the Canadian Association of Fairs & Exhibitions and past Chair of Tourism Saskatoon. He holds a Bachelor of Commerce degree from the University of Saskatchewan and is a Chartered Professional Accountant (CPA, CMA). Mark has successfully completed the Directors College accredited corporate director development program and holds a Chartered Director designation.

**John Schmeiser**
Chair, Human Resources & Governance Committee

John Schmeiser is the Chief Executive Officer of the Western Equipment Dealers Association, an international trade association that represents the interests of over 1,300 farm, construction and outdoor power equipment dealers in Canada and the United States. Schmeiser also serves as the Treasurer of the Canada Equipment Dealers Foundation. He is Past Chairman of the Board for IRON Solutions; a Tennessee based technology company, and Past President of the North American Equipment Association Executives. Schmeiser is a graduate of the University of Saskatchewan, the University of Arizona and Western Academy Broadcasting College. He successfully completed the Directors College accredited corporate director development program and holds a Chartered Director designation.

**Bev Dubois**

Bev Dubois is a successful businesswoman and a graduate of the University of Saskatchewan. She was recently Vice President of Sales and Operations for Canadian Digital Network Ltd. (CDN) and Canadian Digital Signs LP. Bev has served as CEO of the Meewasin Foundation, Manager of Investor Relations for the Saskatoon Regional Economic Development Authority as well as Marketing Manager for Ernest & Young Chartered Accountants.

Bev is a results-oriented community leader and advocate, with multiple years on various boards and commissions helping organizations grow their profiles and achieve their goals. Bev is an experienced corporate board member with years of experience on local, provincial and national boards and commissions on topics ranging from justice to literacy to urban development. Bev has senior leadership experience in marketing, community relations, stakeholder relations, business development and lobbying. Currently Bev sits on the Saskatoon Airport Authority Board, is a Director for the Children's Wish Foundation, Director for the George Reed Foundation, Vice-Chair of Leadership Saskatoon and is President of the Saskatoon Rotary Club.

SED
a division of CALIAN Ltd.

TENANT PROFILE
## SED Systems

**Summary**
SED Systems, a long time Saskatoon tenant, is a highly successful advanced technology company specializing in the global satellite communications sector.

**Highlights**
A division of Calian Ltd., SED has established an international reputation for providing systems and solutions for the communications industry as well as manufacturing capabilities in test, aerospace and defense applications.

An ISO 9001 certified company, SED has a long history of innovation and collaboration. Notable accomplishments include the development of the Deep Space Antenna network for the European Space Agency, the Sirius XM digital satellite radio ground infrastructure and the Classic Aeronautical Gateway systems for Inmarsat.

**History**
SED's roots were established in 1965 in the Space Engineering Division at the University of Saskatchewan Institute of Space and Atmospheric Studies. In 1987 SED consolidated offices and joined Innovation Place. They currently employ over 270 staff members including over 100 engineers and technicians, most of whom graduated from local universities and trade schools.

www.sedsystems.ca

**Rachel Martinuik**

Rachel Martinuik is the Chief Operational Officer for MySpray Therapeutics, a nutraceutical company based out of her hometown of Canora, SK. She is responsible for the startup of a small business including licensing and trademarking in Canada and US. She continues the work on product development, business growth and facilitating international agreements for product distribution.

Rachel is a graduate from the University of Regina with a Bachelor of Human Justice and prior to that completed the Office Administration program at SIAST, went on to work advocating for others under Saskatchewan Justice, Sunrise Health Region and Good Spirit School Division. She possesses an extensive education and experience in community and cultural outreach. Recognizing the importance of education, Rachel is continually on a quest for new ways to further her knowledge.

Over the years Rachel has sat on many community organizations and committees. Currently she is Chair of KamKids Daycare and President of the Kamsack Karate Club. Rachel understands the significance of service to the community, so that a positive impact is made for future generations.

**Julie Ann Wriston**

Julie Ann Wriston is dedicated to creating a business environment that will attract opportunities to build sustainable growth and economic advancement for Métis and First Nations communities. A proud Métis woman from Saskatchewan, Julie Ann is a mother of two inspiring children. She majored in psychology at the University of Saskatchewan and holds a Business Communications diploma with distinction from SIAST and is currently finishing her MBA.

Julie Ann has been working as an independent consultant specializing in building capacity for First Nation and Métis communities to engage in business primarily in the resource sector. She also provides direction and support to non-Aboriginal companies looking to engage in the Aboriginal sector.

As the former CEO of Pinehouse Business North, a Northern owned and operated company specializing in construction and labour services for the mining industry, Julie Ann had the opportunity to restructure an operating company and working at the ground level to create wealth for a community was a second to none education in business development. Combined with Julie Ann's past experience at Westcap Management and the Métis Nation – Saskatchewan, she has gained valuable expertise in developing effective governance structures, strategic planning and information sharing and inclusion at both the community and private sector industrial business level.

In the community, Julie Ann has served on the City of Saskatoon's Urban Aboriginal Grant Committee, the Saskatoon Chamber of Commerce Aboriginal Opportunities Committee and the Affinity Credit Union District Council. She has been a Board Member of the Saskatchewan Opportunities Corporation since 2013.

**Stephanie Yong**

Stephanie Yong is the Director of the Wilson Centre for Entrepreneurial Excellence, a hub for innovation and creative thinking at the University of Saskatchewan. Through a variety of programs, workshops, lab sessions and events, the Wilson Centre provides the inspiration and tools to generate and build bold new ideas. Its vision is to be a leading educator in ideation and create a culture of innovative thinkers.

Originally from Saskatoon, Stephanie has both a Bachelor of Arts in Political Science and an MBA from the University of Saskatchewan. Stephanie has used her experience as a business strategist, an entrepreneur and a university lecturer to build her own networks, stimulate awareness and recognition of the current entrepreneurial trends, and develop experiential programs to further enhance the entrepreneurship agenda. She has grown her skills to focus specifically on ideation and human-centred design thinking and how this can translate into new innovation and opportunities.

In addition to serving on the Board of the Saskatchewan Opportunities Corporation, Stephanie serves on a number of other boards and committees including the Saskatoon Public School Foundations, MoSo Conference and Startup Saskatoon and Startup Canada. Stephanie is committed to supporting the innovation and growth in the entrepreneurial sector of the economy.

**Tanya Gatzke**
Secretary to the Board of Directors

# CORPORATE OFFICERS

as at March 31, 2016

**Van Isman**

President and Chief Executive Officer

Van Isman holds a BA and an MBA from the University of Saskatchewan. Van also holds a designation as a Chartered Director. Van worked in his family's business for 14 years, during which time he also successfully started three other business ventures. In 1992, Van joined SIAST to develop an entrepreneurship initiative, and was subsequently assigned responsibility for all business programs delivered in Regina. In 1996, he joined Saskatchewan Economic Development and was appointed Executive Director responsible for small business, community economic development and co-operatives. In 2004, Van assumed the role of CEO of Wascana Centre Authority.

In late 2007, Van was recruited to rejoin Government as a Deputy Minister, initially responsible for the Ministry of Tourism, Parks, Culture and Sport, and subsequently for the Ministry of Municipal Affairs and the Office of the Provincial Secretary. In 2012, Van moved to Crown Investments Corporation as Vice President, Special Projects and was assigned to be the Interim President and CEO of SOCO in October 2013. He was appointed President and CEO of SOCO in March 2014.

**Ken Loeppky**

Vice President and Chief Operating Officer

Ken Loeppky has held the position of Vice President and Chief Operating Officer for Innovation Place since 2008. Ken joined Innovation Place in 2000 as the General Manager of the Regina park. Ken has held executive board of director roles in the past with provincial, national and international real estate associations and is actively involved with the Real Estate Institute of Canada (REIC) as the Chair of the Professional Standards Committee. Ken is a member of the Board of Directors and Treasurer for the Association of University Research Parks (AURP) Canada and has volunteered at many levels in the local community.

SHIVERWARE
MOBILE & IOT SOLUTIONS

TENANT PROFILE

## Shiverware Mobile & IoT Solutions

**Summary**

Shiverware, a Regina tenant, specializes in mobile and Internet of Things (IoT) solutions, with a focus on emerging edges of technology.

**Highlights**

Shiverware's high quality mobile apps, including Musix, have garnered a wide international following. Their focus on the user experience results in apps with both intuitive design and innovative functionality.

Shiverware also builds integrated solutions for the Internet of Things, a rapid growth area allowing physical objects with embedded technology to communicate and share data via the internet. Their major projects focus on analyzing and representing data from human interactions with embedded devices.

**History**

Shiverware was launched in 2010 by a University of Regina Computer Science professor and two recent Computer Science graduates. The company continues to grow with more employees, more clients, and larger projects. In 2014, the Rainboard, a new musical instrument, was recognized with the Award of Innovation in Regina.

www.shiverware.com

**Trevor Cross**
Vice President, Corporate Services and Initiatives

Trevor Cross was appointed Vice President, Corporate Services and Initiatives in April 2015. Trevor joined Innovation Place in 2010 as Director of Information Technology.

Trevor has earned a professional designation from the Project Management Institute and is a retired Commissioned Officer in the Canadian Armed Forces.

In his volunteer life, Trevor serves on the Board of Directors of the Project Management Institute, North Saskatchewan Chapter; serves on the IT Advisory Committee for Saskatchewan Polytechnic; and is a past member of the Board of Directors for Saskatchewan Research Network. He also has worked and volunteered as a Canadian Yachting Association sailing instructor for over 25 years.

**Brent Sukenik**
Chief Financial Officer

Brent Sukenik was appointed Chief Financial Officer in October 2014.

Brent joined Innovation Place in 2002 as the Corporate Comptroller. Prior to joining Innovation Place, Brent worked for PricewaterhouseCoopers as an Audit Manager. He holds a Bachelor of Administration designation from the University of Regina and is a Chartered Professional Accountant (CPA, CA).

# AUTHORITY

Saskatchewan Opportunities Corporation (SOCO or the Corporation) is a Crown corporation governed by *The Saskatchewan Opportunities Corporation Act*, and subject to the provisions of *The Crown Investments Corporation Act, 1993*. The Crown Investments Corporation (CIC) oversees and manages a governance framework for SOCO that provides strategic direction and performance management and financial reporting. SOCO conducts its business under the operating name of Innovation Place.

Through the Chair, who is an independent director, the SOCO Board of Directors is accountable to the Minister Responsible for SOCO. The Minister functions as the key communications link between SOCO, CIC, Cabinet, the Legislature and the public.

# CORPORATE GOVERNANCE PRACTICES

CIC Chairs Forum has requested that Saskatchewan Crown corporations use the Canadian Securities Administrators (CSA) Corporate Governance Guidelines and Governance Disclosure Rules to standardize the reporting and benchmarking of governance practices. The CSA guidelines have superseded the Toronto Stock Exchange guidelines previously used.

# INDEPENDENCE

The matter of "independence from management" is based upon the definition set by the Canadian Securities Administrators (CSA) and utilized by publicly traded companies in the industry. None of the directors have worked with or for SOCO, or have direct material contracts or relationships with the Corporation, or have received remuneration from the Corporation in excess of the fees and compensation as directors and committee members or as directors of subsidiaries of the Corporation. While having no personal connections to SOCO, Stephanie Yong is employed by the University of Saskatchewan, which has a land lease with SOCO and at times is involved in other business arrangements with SOCO. Whenever issues concerning the University arise in Board meetings, this member declares her potential conflict and absents herself if the Board judges a conflict to exist.

In addition to an annual declaration of any conflicts of interest, each Board and Committee meeting has a standing agenda item to allow directors to declare any conflict of interests and an in-camera session is held without management present.

TENANT PROFILE

## Shutout Solutions

**Summary**

Shutout Solutions, a Saskatoon tenant, develops environmentally friendly cleaning products for the retail and commercial sectors.

**Highlights**

Shutout's products uses hypoallergenic surfactants, essential oils and a patented nano silver ingredient for killing odour causing bacteria. The latter technology was the foundation for Shutout's original product line and is still used in many items today.

Their natural, non toxic products range from retail cleaners, deodorizing sprays and detergent to industrial cleaning supplies and degreasers.

**History**

Shutout Solutions was founded in 2007 by two University of Saskatchewan alumni. In 2011, the company expanded to become a full service supplier serving the hotel industry and any large scale laundry operation.

www.shutoutsolutions.ca

# KEY ACCOUNTABILITIES

The Board has a written Terms of Reference* that outlines the Board's principal duties and responsibilities, including the responsibility to function as stewards of the Corporation and to oversee the management of the affairs and business of the Corporation.

The Board discharges its responsibilities by delegation to management and through committees of the Board. The Board focuses on the strategic leadership of the Corporation while day to day operations are delegated to management, who is then held accountable for the Corporation's performance.

The Board has two committees, the Audit and Finance Committee and the Human Resources and Governance Committee. Both committees have written Terms of Reference* and have access to outside professional advisors if necessary.

* The following documents are available on the SOCO website at www.soco.ca.ca: Board of Directors Terms of Reference, Human Resources and Governance Committee Terms of Reference and Audit and Finance Committee Terms of Reference.

### Audit and Finance Committee

**Members**

Mark Regier, Chair
Stephanie Yong
Alison Green
Bev Dubois
Carol Skelton (ex-officio)

The Audit and Finance Committee is responsible for ensuring the adequacy and effectiveness of financial reporting by reviewing and recommending approval by the Board of all policies and procedures regarding SOCO's financial reporting, internal accounting, internal controls, management information, risk management and the internal and external audit.

### Human Resources and Governance Committee

**Members**

John Schmeiser, Chair
Shauna Fjaagesund (term ended May 27, 2015)
Rachel Martinuik (term commenced May 27, 2015)
Julie Ann Wriston
Carol Skelton (ex-officio)

The Human Resources and Governance Committee is responsible for overseeing SOCO's human resource and governance processes and the quality of its corporate governance and reporting to the Board. The Committee undertakes deliberative and policy work on behalf of the Board and recommends decisions on all aspects of governance to the Board, when these decisions exceed delegated authority levels of management.

## BOARD APPOINTMENTS

The Lieutenant Governor in Council appoints members of the Board and designates the Chair. Directors are appointed for a fixed term and their appointments can be renewed at expiry. Appointments are governed by the CIC Board of Directors Appointment Policy, which ensures adherence to the principles of objectivity, inclusivity, transparency and consistency. Although the policy requires Crown Boards to include diversity candidates, it does not specifically refer to the identification and nomination of women Directors.

CIC maintains statistics regarding the diversity of each Crown Board, including the percentage of women serving on Crown Boards. This information is forwarded annually to the shareholder to be considered when Board appointment decisions are made.

As of March 31, 2016 the Board was comprised of six women out of a total of eight members (75%).

The Board, through the Human Resources and Governance Committee, annually reviews the composition and skill sets of directors to maintain an appropriate mix of expertise, experience and diversity on the Board to support the strategic direction of the Corporation.

## CONFLICT OF INTEREST / CODE OF CONDUCT

Board members must comply with the CIC Directors' Code of Conduct** that was developed by CIC and applies to the directors of all its subsidiary Crown boards.

Officers and employees of the Corporation must comply with SOCO's Code of Conduct, which includes a conflict of interest and a whistleblower policy. All employees, including Corporate Officers, are required to annually sign a declaration of compliance with key policy and procedure guidelines. In total there are 14 policies requiring annual review and sign-off, including the code of conduct, conflict of interest, whistleblower, IT acceptable use and privacy.

## ORIENTATION AND CONTINUING EDUCATION

Management provides comprehensive reference material to each Board member and provides new members with an orientation session detailing the nature of SOCO's business. Management provides the directors with information sessions on technical aspects of the Corporation's business. The Board also participates in annual strategic planning sessions.

CIC provides annual professional development opportunities for directors of CIC subsidiary Crown boards, which focus on the key roles and responsibilities of boards and best practices in corporate governance.

# BOARD OF DIRECTORS MEETINGS

There were four Board meetings held in 2015. Documentation and information for discussion and decisions at the meetings is provided by management to the Board at least seven days in advance of each meeting.

## Attendance

| | Board of Directors Meeting Dates | | | |
|---|---|---|---|---|
| **Director** | **March 3** | **May 20** | **August 27** | **November 2** |
| Carol Skelton, Chair | ● | ● | ● | ● |
| Mark Regier | ● | ● | ● | ● |
| Bev Dubois | ● | ● | x | ● |
| Shauna Fjaagesund | ● | ● | – | – |
| Alison Green | ● | ● | ● | ● |
| Rachel Martinuik | – | – | ● | ● |
| John Schmeiser | ● | ● | ● | ● |
| Julie Ann Wriston | ● | ● | ● | ● |
| Stephanie Yong | ● | ● | ● | ● |

● in attendance x not in attendance – not on the Board at that time

# BOARD OF DIRECTORS TENURE AND REMUNERATION

| **Director** | **Position** | **Tenure** | **Remuneration paid for the 12 month period ended December 31, 2015** | **Remuneration paid for the 3 month period ended March 31, 2016** |
|---|---|---|---|---|
| Carol Skelton | Chair | January 1 - December 31, 2015 | $ 22,600 | $ 5,975 |
| Mark Regier | Vice Chair | January 1 - December 31, 2015 | 17,900 | 4,475 |
| Bev Dubois | Member | January 1 - December 31, 2015 | 18,875 | 3,825 |
| Shauna Fjaagesund | Member | January 1 - May 27, 2015 | 6,342 | 0 |
| Alison Green | Member | January 1 - December 31, 2015 | 18,875 | 3,825 |
| Rachel Martinuik | Member | May 27 - December 31, 2015 | 9,646 | 3,825 |
| John Schmeiser | Member | January 1 - December 31, 2015 | 17,950 | 4,325 |
| Julie Ann Wriston | Member | January 1 - December 31, 2015 | 15,300 | 3,825 |
| Stephanie Yong | Member | January 1 - December 31, 2015 | $ 15,300 | $ 3,825 |
| | | | **Total: $ 142,788** | **Total: $ 33,900** |

The Remuneration Schedule and Expense Guidelines for the Board of Directors are approved by the CIC Board (effective January 1, 2013) and are set out as follows:

| | | |
|---|---|---|
| $20,000 | Annual | Board Chair Retainer |
| $14,000 | Annual | Board Member Retainer |
| $2,600 | Annual | Audit and Finance Committee Chair Retainer |
| $2,000 | Annual | Human Resources and Governance Committee Chair Retainer |
| $650 | Full Day | Committee Meeting Fee |
| $325 | Half Day | Committee Meeting Fee |

# MANAGEMENT REMUNERATION

The Corporate Officers are compensated in accordance with CIC's Crown Executive Compensation Policy, Procedures and Guidelines.

The Crown sector is committed to a "total compensation" perspective, which includes a base salary, benefits and pension, and a short term incentive program. The short term incentive payments are based on a combination of corporate and personal objectives that are aligned with SOCO's Strategic Plan. The corporate objectives are approved by the Board of Directors and represent 75% of the available incentive payments for Vice Presidents and 85% for the President.

For the twelve month period ended December 31, 2015, the total compensation paid to the Corporate Officers was $792,084.

# CORPORATE OFFICER APPOINTMENTS

Corporate Officer appointments are made by the CEO. The CEO gives consideration to the level of representation of women in Corporate Officer positions, along with several other relevant factors, when making Corporate Officer appointments.

Innovation Place currently does not have a specific target regarding women in Corporate Officer positions but does target diversity in all positions. Currently there are no Corporate Officers that are women but four out of the nine other senior management positions are women.

# MANAGEMENT'S RESPONSIBILITY AND CERTIFICATION

The preparation and presentation of the accompanying consolidated financial statements of Saskatchewan Opportunities Corporation are the responsibility of and have been prepared by corporate management in accordance with International Financial Reporting Standards. These consolidated financial statements necessarily include amounts based on informed judgment and management's estimates. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

Management is also responsible for establishing and maintaining adequate internal control over financial reporting and has assessed the effectiveness of those controls as of March 31, 2016. Based on this evaluation management concludes the following:

I, Van Isman, the Chief Executive Officer of Saskatchewan Opportunities Corporation, and I, Brent Sukenik, the Chief Financial Officer of Saskatchewan Opportunities Corporation, certify:

- that we have reviewed the financial statements included in the Annual Report of Saskatchewan Opportunities Corporation. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial position, results of operations and cash flows, as of March 31, 2016;
- that based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of Saskatchewan Opportunities Corporation do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made;
- that Saskatchewan Opportunities Corporation is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and Saskatchewan Opportunities Corporation has designed internal controls over financial reporting that are appropriate to the circumstances of Saskatchewan Opportunities Corporation; and

- that Saskatchewan Opportunities Corporation conducted its assessment of the effectiveness of the Corporation's internal controls over financial reporting and, based on the results of this assessment, Saskatchewan Opportunities Corporation can provide reasonable assurance that internal controls over financial reporting as of March 31, 2016 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

The Corporation's independent auditor, Virtus Group LLP, has been appointed external auditor by Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan. Virtus Group LLP has examined the financial statements of Saskatchewan Opportunities Corporation. The scope of their examination and their opinion on whether these financial statements present fairly the financial position and operating results of Saskatchewan Opportunities Corporation are given in their Auditor's Report.

In an effort to discharge its statutory responsibilities which are outlined in The Provincial Auditor Act, the Provincial Auditor relies on the work of Virtus Group LLP. The Provincial Auditor and Virtus Group LLP work together at all stages of the audit. The Provincial Auditor is responsible to report to the Legislative Assembly an opinion on the effectiveness of internal controls, compliance with governing authorities and the reliability of the financial statements.

The Audit and Finance Committee, composed of members of the Board of Directors, meets periodically with the financial officers of the Corporation, the external auditor and the Provincial Auditor to discuss the audit plan, audit results and the opinion on the adequacy of the financial reporting, corresponding internal controls and compliance with governing authorities. Both Virtus Group LLP and the Provincial Auditor have the opportunity to meet with the Audit and Finance Committee without management present. The Audit and Finance Committee has reviewed these financial statements with management and the auditor. The Audit and Finance Committee recommended the Board approve these financial statements. The Board of Directors has reviewed and approved these financial statements.

S.P. (Van) Isman
President and Chief Executive Officer

Brent Sukenik
Chief Financial Officer

# INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan,

We have audited the accompanying consolidated financial statements of Saskatchewan Opportunities Corporation (operating as Innovation Place) and its subsidiary, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the fifteen month period then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Opportunities Corporation and its subsidiary as at March 31, 2016 and their financial performance and cash flows for the fifteen month period then ended in accordance with International Financial Reporting Standards.

Virtus Group LLP

Chartered Professional Accountants
June 1, 2016
Regina, Saskatchewan

# FINANCIAL REPORT

2 RESEARCH DRIVE IN REGINA

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands)

| | NOTE | Fifteen months ended March 31, 2016 | Twelve months ended December 31, 2014 |
|---|---|---|---|
| REVENUE | | | |
| Rental | | $ 46,865 | $ 39,168 |
| Other | | 369 | 233 |
| | | 47,234 | 39,401 |
| EXPENSES | | | |
| Administration | | 5,510 | 4,588 |
| Rental operations | | 38,226 | 31,011 |
| | | 43,736 | 35,599 |
| RESULTS BEFORE THE FOLLOWING | | 3,498 | 3,802 |
| Finance income | 4 | 320 | 339 |
| Finance expenses | 4 | (2,172) | (1,740) |
| NET FINANCE (EXPENSE) | | (1,852) | (1,401) |
| Profit from continuing operations | | 1,646 | 2,401 |
| Loss on discontinued operations | 22 | – | (89) |
| NET INCOME AND TOTAL COMPREHENSIVE INCOME | | $ 1,646 | $ 2,312 |

(see accompanying notes)

On behalf of the Board,

Carol Skelton
Board Chair

Mark Regier
Chair, Audit and Finance Committee

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands)

| | NOTE | As at March 31, 2016 | As at December 31, 2014 |
|---|---|---|---|
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | 5 | $ 12,854 | $ 10,347 |
| Trade and other receivables | 6 | 4,301 | 3,195 |
| Inventory | | 117 | 159 |
| Prepaid expenses | | 355 | 55 |
| Assets held-for-sale | 22 | – | 6,090 |
| | | 17,627 | 19,846 |
| Trade and other receivables | 6 | 267 | 252 |
| Property, plant and equipment | 7 | 1,145 | 1,321 |
| Investment property | 8 | 166,424 | 166,401 |
| Debt retirement fund | 9 | 2,771 | 2,244 |
| Other assets | 10 | 642 | 1,016 |
| | | $ 188,876 | $ 191,080 |
| LIABILITIES AND PROVINCE'S EQUITY | | | |
| Current | | | |
| Trade and other payables | 11 | $ 3,724 | $ 3,637 |
| Dividends payable | | 318 | 535 |
| Deferred revenue | | 646 | 877 |
| | | 4,688 | 5,049 |
| Long term debt | 12 | 36,684 | 36,684 |
| | | 41,372 | 41,733 |
| PROVINCE OF SASKATCHEWAN'S EQUITY | | | |
| Retained earnings | | 30,817 | 30,660 |
| Equity advances | 13 | 116,687 | 118,687 |
| | | 147,504 | 149,347 |
| | | $ 188,876 | $ 191,080 |

(see accompanying notes)

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands)

| | Equity advances | Retained earnings | Total equity |
|---|---|---|---|
| BALANCE AT DECEMBER 31, 2013 | $ 120,687 | $ 30,327 | $ 151,014 |
| Net income and total comprehensive income | – | 2,312 | 2,312 |
| Dividends | – | (1,979) | (1,979) |
| Equity repayment | (2,000) | – | (2,000) |
| BALANCE AT DECEMBER 31, 2014 | 118,687 | 30,660 | 149,347 |
| Net income and total comprehensive income | – | 1,646 | 1,646 |
| Dividends | – | (1,489) | (1,489) |
| Equity repayment | (2,000) | – | (2,000) |
| BALANCE AT MARCH 31, 2016 | $ 116,687 | $ 30,817 | $ 147,504 |

(see accompanying notes)

# CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)

| | NOTE | Fifteen months ended March 31, 2016 | Twelve months ended December 31, 2014 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Net income | | $ 1,646 | $ 2,312 |
| Non-cash adjustments: | | | |
| Amortization of property, plant and equipment | 7 | 426 | 397 |
| Amortization of investment property | 8 | 10,937 | 7,854 |
| Loss on disposal of property, plant and equipment | | – | 42 |
| Finance income | 4 | (320) | (339) |
| Finance expense | 4 | 2,172 | 1,740 |
| | | 14,861 | 12,006 |
| Working capital adjustments: | | | |
| Trade and other receivables | | (1,105) | (222) |
| Inventory | | 42 | 44 |
| Prepaid expenses | | (300) | (1) |
| Trade and other payables | | 213 | (1,785) |
| Deferred revenue | | (231) | 339 |
| Cash provided by operating activities | | 13,480 | 10,381 |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 7 | (239) | (254) |
| Purchase of investment property | 8 | (4,881) | (5,979) |
| Interest received | | 144 | 129 |
| Change in other assets | | 374 | 287 |
| Cash used in investing activities | | (4,602) | (5,817) |
| FINANCING ACTIVITIES | | | |
| Debt retirement fund installments | 9 | (367) | (367) |
| Interest paid | | (2,297) | (1,740) |
| Dividends paid | | (1,706) | (1,422) |
| Equity repayment | 13 | (2,000) | (2,000) |
| Cash used in financing activities | | (6,371) | (5,529) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | 2,507 | (965) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | | 10,347 | 11,312 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | | $ 12,854 | $ 10,347 |

(see accompanying notes)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

## 1. General Information

Saskatchewan Opportunities Corporation (the Corporation), which operates under the business name of Innovation Place, was incorporated under *The Saskatchewan Opportunities Corporation Act*, which was proclaimed and came into force in 1994. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and has been designated a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. The financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, the Corporation is subject to neither federal nor provincial income taxes.

The Corporation's mandate is to create, encourage and facilitate business opportunities in the Saskatchewan technology sector, primarily through the development and operation of technology parks.

The Corporation's head office is located at 114 – 15 Innovation Boulevard in Saskatoon, Saskatchewan.

## 2. Basis of Preparation

### a) Statement of compliance

The consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorized for issue by the Board of Directors on June 1, 2016.

### b) Change in year end

The Corporation was directed to change its fiscal year end to be March 31 to coincide with that of its owner. The first complete fiscal period that ended March 31, 2016 consists of fifteen months.

### c) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments designated as fair value through profit and loss which are measured at fair value.

### d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

**e) Use of estimates and judgments**

The preparation of financial statements that comply with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant items subject to estimates and assumptions include the carrying amounts of property, plant and equipment and investment property, along with the underlying estimations of useful lives, capitalization of interest, disposal of long-lived assets, asset retirement obligations, and labour and directly attributable overhead; and the carrying amounts of accounts receivable, inventory and investments.

Areas of judgments in applying accounting policies that have the most effect on the amounts recognized in the consolidated financial statements include the accounting for special purpose entities and the determination of cash generating units.

**f) New standards and interpretations not yet adopted**

A number of new standards, and amendments to standards and interpretations are not yet effective for the period ended March 31, 2016, and have not been applied in preparing these consolidated financial statements:

**IAS 1, *Presentation of Financial Statements***

IAS 1 was amended by the IASB in December 2014 that clarifies that materiality applies to all parts of the financial statements, and provides examples of how to clarify understandability and comparability in the ordering of note disclosures. The Corporation intends to adopt these amendments in its financial statements for its annual period beginning on April 1, 2016. The Corporation does not expect the amendments to have a material impact on the consolidated financial statements.

**IFRS 9, *Financial Instruments***

The final version of IFRS 9 was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard is to be applied prospectively.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. Under IFRS 9, financial assets will generally be measured initially at fair value plus particular transaction costs, and subsequently at either amortized cost or fair value. Financial liabilities measured at fair value will present any change in its fair value due to changes in the entity's credit risk in other comprehensive income, rather than within net earnings. This standard is effective for annual periods beginning on or after January 1, 2018. The Corporation does not intend to early adopt this standard but is reviewing it to determine the potential impact, if any, on the consolidated financial statements.

**IFRS 15, *Revenue from Contracts with Customers***

On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The new standard establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of other IFRS standards. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying a new five step model.

The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard. IFRS 15 must be adopted for annual periods beginning on or after January 1, 2018 using either a full retrospective approach for all periods presented in the period of adoption, a modified retrospective approach, or a retrospective cumulative effect approach. The Corporation is in the process of assessing the impact of the adoption of this standard on the consolidated financial statements.

**IFRS 16, *Leases***

IFRS 16 was issued on January 13, 2016 and will be replacing IAS 17, *Leases*. The new standard has significant changes for lessees, as most leases will be recognized on-balance sheet, subject to specific exemptions for short term leases or low lease asset value, under a single measurement model with recorded assets and liabilities. Lessor accounting remains largely unchanged and retains the distinction between operating and finance leases but essentially removes the sale and leaseback option. As well, the definition of what is a lease has been revised, with an increased focus on who controls the leased asset.

This standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. The Corporation has not started the process of assessing its leases nor the impact of the adoption of this standard on the consolidated financial statements.

## 3. Significant Accounting Policies

### a) Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and 212822 Saskatchewan Inc. (operating as Boffins) with all significant inter-company transactions and balances, revenues and expenses being eliminated. Boffins provides food services at the research park in Saskatoon.

Separate audited financial statements are prepared annually for 212822 Saskatchewan Inc.

### b) Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, and short term investments with an original maturity of three months or less.

**c) Inventory**

Inventory consists of items held which will be used in the provision of services at the research parks and are valued using the weighted average cost method. Inventory items are charged to expense when utilized.

**d) Property, plant and equipment**

Property, plant and equipment are recorded at cost less accumulated amortization and any provisions for impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes materials, services, direct labour and directly attributable overheads. Assets under construction are recorded as in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

When property, plant and equipment are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in profit or loss.

**e) Investment property**

Properties held for rental purposes are classified as investment properties and are measured at cost using the same policies as for property, plant and equipment.

**f) Amortization**

Amortization is recognized on a straight-line basis over the estimated useful life of each component of property, plant and equipment and investment property. Amortization commences when the asset is ready for its intended use.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of amortization are consistent with the expected pattern of economic benefit from these assets.

The estimated useful lives of major classes of property, plant and equipment are:

| | |
|---|---|
| Administration | 3 - 10 years |
| Furniture and equipment | 3 - 10 years |

The estimated useful lives of major classes of investment property are:

| | |
|---|---|
| Buildings | 20 – 80 years |
| Infrastructure | 25 – 60 years |
| Furniture and equipment | 3 – 10 years |
| Leasehold improvements | lease term |

**g) Impairment of assets**

At each reporting date, the Corporation reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Cash generating units are the smallest group of assets that generates cash inflow from continuing use. Corporate assets are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the carrying amount of the asset (or cash generating unit) does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

**h) Revenue recognition**

The Corporation uses the straight-line method of recognizing rental revenue whereby the total amount of contractual rent to be received from leases is accounted for on a straight-line basis over the term of the lease. Accordingly, deferred rent receivable is recorded for the difference between the straight-line rental revenue recorded and the contractual amount due from tenants.

With the exception of rental revenue, revenue is recognized as services are provided to customers, tenants and clients using the accrual basis of accounting when it is reliably measured and there is probability that the economic benefit will flow to the Corporation.

Amounts received in advance of contract terms are recorded as deferred revenue.

**i) Provisions**

Provisions for legal claims are recognized when the Corporation has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount on provisions is recognized in profit or loss as finance expense.

**j) Financial instruments**

The Corporation uses the following categories to classify its financial instruments: fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale, and other liabilities. All financial instruments are measured at fair value on initial recognition and are recorded on the consolidated statement of financial position. Financial assets and liabilities are offset and the net amount reported on the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Transaction costs are included in the initial carrying amount of financial instruments except for those designated as fair value through profit or loss, in which case they are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Fair value through profit or loss financial assets and liabilities are subsequently measured at fair value, with changes in fair value being recognized in the consolidated statement of comprehensive income. Available-for-sale financial assets are subsequently measured at fair value, with changes in fair value being recognized as other comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables, and other liabilities are subsequently measured at amortized cost using the effective interest method, less any impairment.

As at March 31, 2016, the Corporation does not have any outstanding contracts or financial instruments with embedded derivatives that are required to be valued separately.

**k) Fair value measurement**

The methods and assumptions used to develop fair value measurements have been prioritized into three levels.

Level one – fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Corporation has immediate access.

Level two – fair values are determined using inputs other than quoted prices included in level one that are observable for the asset or liability, either directly or indirectly.

Level three – fair values are determined based on inputs for the asset or liability that are not based on observable market data.

**l) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period incurred.

**m) Employee benefits**

All employees are members of the Public Employees Pension Plan (formerly Capital Pension Plan, administered by CIC), a defined contribution plan administered by the Saskatchewan Ministry of Finance's Public Employees Benefits Agency, a related entity. The Corporation's financial obligation is limited to making regular contributions in proportion to employees' earnings. These contributions are charged to profit or loss when due.

Employee entitlements to annual leave are recognized as they are earned by the employees. An accrual, stated at current cost, is made for the estimated liability at year end.

## 4. Finance Income and Expense

Finance income consists of the following:

| | 2016 (15 months) | 2014 (12 months) |
|---|---|---|
| Interest earned on bank balances | $ 144 | $ 129 |
| Interest income on accounts receivable | 16 | 9 |
| Interest earned on debt retirement fund | 168 | 88 |
| Change in fair value of debt retirement fund | (8) | 113 |
| | $ 320 | $ 339 |

Finance expense consists of the following:

| | 2016 (15 months) | 2014 (12 months) |
|---|---|---|
| Interest on long term debt | $ 2,172 | $ 1,740 |
| | $ 2,172 | $ 1,740 |

## 5. Cash and Cash Equivalents

| | As at March 31, 2016 | As at December 31, 2014 |
|---|---|---|
| Cash in bank and on hand | $ 12,854 | $ 10,347 |
| | $ 12,854 | $ 10,347 |

Cash held in bank earns interest based on a fixed percentage in relation to the bank prime rate.

## 6. Trade and Other Receivables

| | As at March 31, 2016 | As at December 31, 2014 |
|---|---|---|
| Trade receivables, net of allowance | $ 3,515 | $ 2,422 |
| Accrued receivables | 167 | 732 |
| Work in progress | 608 | 25 |
| Other | 278 | 268 |
| | 4,568 | 3,447 |
| Current | 4,301 | 3,195 |
| Non-current | 267 | 252 |
| | $ 4,568 | $ 3,447 |

Work in progress includes unbilled labour and materials for third party projects.

## 7. Property, Plant and Equipment

| | Administration | Processing Facility | Furniture and Equipment | Total |
|---|---|---|---|---|
| COST | | | | |
| BALANCE AT DECEMBER 31, 2013 | $ 1,781 | $ 2,132 | $ 4,649 | $ 8,562 |
| Additions | 28 | – | 226 | 254 |
| Disposals | – | – | (1,174) | (1,174) |
| Transfer to investment property | – | (2,132) | – | (2,132) |
| Transfer to assets held-for-sale (note 22) | – | – | (112) | (112) |
| BALANCE AT DECEMBER 31, 2014 | 1,809 | – | 3,589 | 5,398 |
| Additions | – | – | 239 | 239 |
| Transfer from assets held-for-sale (note 22) | – | – | 112 | 112 |
| BALANCE AT MARCH 31, 2016 | 1,809 | – | 3,940 | 5,749 |
| ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES | | | | |
| BALANCE AT DECEMBER 31, 2013 | 1,723 | 891 | 2,962 | 5,576 |
| Amortization | 33 | 14 | 350 | 397 |
| Disposals | – | – | (890) | (890) |
| Transfer to investment property | – | (905) | – | (905) |
| Transfer to assets held-for-sale (note 22) | – | – | (101) | (101) |
| BALANCE AT DECEMBER 31, 2014 | 1,756 | – | 2,321 | 4,077 |
| Amortization | 20 | – | 406 | 426 |
| Transfer from assets held-for-sale (note 22) | – | – | 101 | 101 |
| BALANCE AT MARCH 31, 2016 | 1,776 | – | 2,828 | 4,604 |
| CARRYING AMOUNTS | | | | |
| Balance at December 31, 2014 | $ 53 | $ – | $ 1,268 | $ 1,321 |
| Balance at March 31, 2016 | $ 33 | $ – | $ 1,112 | $ 1,145 |

## 8. Investment Property

| | Buildings | Land and Infrastructure | Leasehold Improvements | Construction in Progress | Total |
|---|---|---|---|---|---|
| COST | | | | | |
| BALANCE AT DECEMBER 31, 2013 | 179,605 | 61,648 | 8,292 | 2,068 | 251,613 |
| Additions | 1,601 | 2,310 | 2,503 | (435) | 5,979 |
| Disposals | (253) | (16) | – | – | (269) |
| Transfer from property, plant and equipment | 2,132 | – | – | – | 2,132 |
| Transfer to assets held-for-sale (note 22) | (6,915) | (1,647) | (318) | – | (8,880) |
| BALANCE AT DECEMBER 31, 2014 | 176,170 | 62,295 | 10,477 | 1,633 | 250,575 |
| Additions | 1,337 | 240 | 1,266 | 2,038 | 4,881 |
| Disposals | (1,241) | – | (36) | – | (1,277) |
| Transfer from assets held-for-sale (note 22) | 6,915 | 1,647 | 318 | – | 8,880 |
| BALANCE AT MARCH 31, 2016 | 183,181 | 64,182 | 12,025 | 3,671 | 263,059 |
| ACCUMULATED AMORTIZATION AND IMPAIRMENT | | | | | |
| BALANCE AT DECEMBER 31, 2013 | 55,139 | 16,089 | 6,566 | 691 | 78,485 |
| Amortization | 5,221 | 1,649 | 984 | – | 7,854 |
| Disposals | (253) | (16) | – | – | (269) |
| Transfer from property, plant and equipment | 905 | – | – | – | 905 |
| Transfer to assets held-for-sale (note 22) | (2,479) | (126) | (196) | – | (2,801) |
| BALANCE AT DECEMBER 31, 2014 | 58,533 | 17,596 | 7,354 | 691 | 84,174 |
| Amortization | 7,161 | 2,137 | 1,639 | – | 10,937 |
| Disposals | (1,241) | – | (36) | – | (1,277) |
| Transfer from assets held-for-sale (note 22) | 2,479 | 126 | 196 | – | 2,801 |
| BALANCE AT MARCH 31, 2016 | 66,932 | 19,859 | 9,153 | 691 | 96,635 |
| CARRYING AMOUNTS | | | | | |
| Balance at December 31, 2014 | 117,637 | 44,699 | 3,123 | 942 | 166,401 |
| Balance at March 31, 2016 | 116,249 | 44,323 | 2,872 | 2,980 | 166,424 |

The market value of investment property at March 31, 2016 was $334,700 (December 31, 2014 – $313,700). The market value is based on internally generated estimates on cash flows of individual properties using capitalization rates in the range of 7.0% to 10.0% applied based on property type and market characteristics which resulted in an overall weighted average capitalization rate of 7.4% (December 31, 2014 – 7.2%).

The market value estimate is considered level 3 as the majority of inputs are not based on observable market data.

## 9. Debt Retirement Fund

| | | |
|---|---|---|
| BALANCE, DECEMBER 31, 2013 | $ | 1,676 |
| Installments | | 367 |
| Earnings | | 88 |
| Valuation adjustment | | 113 |
| BALANCE, DECEMBER 31, 2014 | $ | 2,244 |
| Installments | | 367 |
| Earnings | | 168 |
| Valuation adjustment | | (8) |
| BALANCE, MARCH 31, 2016 | $ | 2,771 |

Under conditions attached to the long term debt issues, the Corporation is required to invest an amount equal to one percent of the original debt issue on an annual basis. The investment, in the form of a debt retirement fund, is administered by Saskatchewan Ministry of Finance. As at March 31, 2016, scheduled debt retirement fund installments due in each of the next five years are as follows:

| | | |
|---|---|---|
| 2017 | $ | 367 |
| 2018 | | 367 |
| 2019 | | 367 |
| 2020 | | 367 |
| 2021 | | 367 |

## 10. Other Assets

| | As at March 31, 2016 | As at December 31, 2014 |
|---|---|---|
| Deferred rent receivable | $ 490 | $ 720 |
| Leasing costs | 152 | 296 |
| | $ 642 | $ 1,016 |

## 11. Trade and Other Payables

| | As at March 31, 2016 | As at December 31, 2014 |
|---|---|---|
| Trade payables | $ 828 | $ 1,468 |
| Interest payable | 507 | 632 |
| Accrued liabilities and other | 2,389 | 1,537 |
| | $ 3,724 | $ 3,637 |

## 12. Long Term Debt

| | As at March 31, 2016 | As at December 31, 2014 |
|---|---|---|
| Balance, beginning of period | $ 36,684 | $ 36,684 |
| Issued during the year | – | – |
| Repayments | – | – |
| Balance, end of period | $ 36,684 | $ 36,684 |

The Corporation's long term debt balance consists of two CPP Investment Board debt issues with the Province of Saskatchewan.

| Date of Issue | Date of Maturity | Effective Interest Rate (%) | Coupon Rate (%) | Outstanding Amount March 31, 2016 |
|---|---|---|---|---|
| July 11, 2008 | July 11, 2038 | 4.71 | 4.71 | $ 23,684 |
| May 3, 2010 | May 3, 2040 | 4.80 | 4.80 | 13,000 |
| | | | | $ 36,684 |

There are no scheduled principal debt repayments due in the next five years.

## 13. Equity Advances

Prior to March 31, 2011, under an operating agreement with the Ministry of Energy and Resources (formerly the Ministry of Industry and Resources), the Corporation leased the majority of its assets from the Ministry of Energy and Resources for a nominal annual amount. Under the terms of this agreement, the Corporation had been assigned all rental revenue generated and was responsible for all costs associated with their operation.

On March 31, 2011, ownership of all of the assets previously leased from the Ministry of Energy and Resources was transferred to the Corporation through CIC. The transfer was accounted for at the book value of the assets being transferred and resulted in an equity advance from CIC in the amount of $120,687.

A $2,000 (2014 – $2,000) equity repayment was made to CIC during the 15 month fiscal period.

## 14. Operating Leases

Operating leases relate to investment property owned by the Corporation. Operating leases generally have terms of one to five years.

Rental income earned from investment property is reported as rental income, and associated operating expenses as rental operations expense, in the consolidated statement of comprehensive income.

The future minimum lease payments under non-cancellable operating leases, at March 31, 2016 are:

| | |
|---|---|
| Within one year | $ 18,732 |
| After one year but not more than five years | 36,505 |
| More than five years | 16,353 |
| | $ 71,590 |

## 15. Operating and Administration Expenses

Total operating and administration expenses, including discontinued operations (note 22) is as follows:

| | 2016 (15 months) | 2014 (12 months) |
|---|---|---|
| Employee benefits | $ 12,303 | $ 10,338 |
| Utilities | 6,008 | 5,122 |
| Grants in lieu of property taxes | 4,350 | 3,506 |
| Amortization | 11,363 | 8,252 |
| Inventory consumed in the provision of services | 747 | 653 |
| Other | 8,965 | 8,303 |
| | $ 43,736 | $ 36,174 |

## 16. Capital Management

The Corporation's capital management objective is to maintain financial viability by effectively managing cash from operations and its capital structure.

The Corporation's capital structure consists of notes payable, long term debt, retained earnings and equity advances.

The Corporation funds its capital requirements through internally generated cash flows, debt and equity advances. As a Crown corporation, the Corporation receives its debt from the Saskatchewan Ministry of Finance. By legislation, the Corporation cannot have more than $170 million (2014 – $170 million) of debt outstanding at any time. In addition, by Order in Council, the Corporation may only have $50 million (2014 – $50 million) of short term notes outstanding at any time.

The Corporation monitors its capital structure on the basis of the debt ratio. The current long term debt ratio target is 60%, which is consistent with the prior period. The ratio is calculated as follows:

| | As at March 31, 2016 | As at December 31, 2014 |
|---|---|---|
| Long term debt | $ 36,684 | $ 36,684 |
| Cash available to repay debt | (12,625) | (9,591) |
| Total net debt | $ 24,059 | $ 27,093 |
| | | |
| Retained earnings | $ 30,817 | $ 30,660 |
| Equity advances | 116,687 | 118,687 |
| Total equity | $ 147,504 | $ 149,347 |
| | | |
| Debt ratio | 14.02% | 15.36% |

Cash available to repay debt reflects cash and debt retirement funds, net of cash required for operations.

The Corporation complied with all externally imposed restrictions on its debt for the 15 month period ended March 31, 2016.

## 17. Commitments

The Corporation has several capital projects under construction. The estimated cost to complete projects under construction is approximately $3,493.

## 18. Financial Instruments

The following table presents the classification, carrying amounts and fair values of the Corporation's financial instruments.

| | Classification | March 31, 2016 Carrying Amount | March 31, 2016 Fair Value | December 31, 2014 Carrying Amount | December 31, 2014 Fair Value |
|---|---|---|---|---|---|
| FINANCIAL ASSETS | | | | | |
| Cash and cash equivalents | FVTPL | $ 12,854 | $ 12,854 | $ 10,347 | $ 10,347 |
| Trade and other receivables | L&R | 4,568 | 4,568 | 3,447 | 3,447 |
| Debt retirement fund | FVTPL | 2,771 | 2,771 | 2,244 | 2,244 |
| FINANCIAL LIABILITIES | | | | | |
| Trade and other payables | OL | (3,724) | (3,724) | (3,637) | (3,637) |
| Dividends payable | OL | (318) | (318) | (535) | (535) |
| Long term debt | OL | (36,684) | (45,611) | (36,684) | (46,157) |

FVTPL – fair value through profit or loss L&R – loans and receivables OL – other liabilities

**Fair values**

The fair values of cash and cash equivalents, trade and other receivables, trade and other payables, notes payable and dividends payable approximate carrying value due to their immediate or short term nature.

Debt retirement funds are valued at the closing period-end unit prices received from the Saskatchewan Ministry of Finance.

Long term debt is valued at the present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

**Fair value hierarchy**

Fair value for cash and cash equivalents and the debt retirement fund are recognized in the consolidated statement of financial position. Cash, by its nature, is classified as level one. The debt retirement fund is classified as level two.

## 19. Financial Risk Management

### a) Credit risk

Credit risk is the risk of an unexpected loss if a client or third party to a financial instrument fails to meet its contractual obligations.

The maximum credit exposure is limited to the carrying amount of cash and cash equivalents, trade and other receivables and the debt retirement fund.

Cash and cash equivalents are maintained with high-credit quality financial institutions and management considers the risk of non-performance to be minimal.

Although the Corporation's policy to promote economic development leads to accepting some tenants that have higher credit risk, potential losses are mitigated by the fact that no one tenant occupies more than 10% of rentable space. The Corporation also has established policies and procedures to assess the potential risk prior to extending credit to any tenant. The following reflects an aging summary of the Corporation's accounts receivable:

| | As at March 31, 2016 | As at December 31, 2014 |
|---|---|---|
| Current | $ 1,234 | $ 1,310 |
| 31 – 60 days | 185 | 224 |
| 61 – 90 days | 58 | 68 |
| Over 90 days | 3,845 | 2,533 |
| | 5,322 | 4,135 |
| Allowance | (754) | (688) |
| Trade and other receivables | $ 4,568 | $ 3,447 |

Provisions for credit losses are maintained and regularly reviewed by management. Credit losses are estimated based on an account by account review. Amounts are written off only after reasonable collection efforts have been exhausted. Details of the allowance are as follows:

| | As at March 31, 2016 | As at December 31, 2014 |
|---|---|---|
| Allowance for doubtful accounts, beginning of period | $ 688 | $ 440 |
| Provision | 93 | 255 |
| Write-offs, net of recoveries | (27) | (7) |
| Allowance for doubtful accounts, end of period | $ 754 | $ 688 |

Debt retirement funds are held by the Government of Saskatchewan's General Revenue Fund. The investment strategy is determined by the Ministry of Finance. At March 31, 2016, the debt retirement fund consists mostly of Provincial government and Federal government bonds with varying maturities and are managed based on maturity profile and market conditions. Accordingly the related credit risk associated with these investments is considered low.

**b) Interest rate risk**

Interest rate risk is the risk of financial loss resulting from changes in market interest rates. The Corporation is exposed to interest rate risk on the maturity of its notes payable. Interest rate risk is managed through converting notes payable to long term debt with fixed interest rates. There were no outstanding short term debt instruments at March 31, 2016 (December 31, 2014 – no outstanding short term debt).

The Corporation is also exposed to interest rate risk on its cash balances as the rate of return fluctuates with prime interest rates. The impact of fluctuations in prime interest rates is not considered significant to the Corporation.

**c) Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's cash resources are managed based on financial forecasts and anticipated cash flows.

The following summarizes the contractual maturities of the Corporation's financial liabilities at March 31, 2016:

| | 6 Months or Less | 7 to 12 Months | 1 to 2 Years | 3 to 5 Years | More than 5 Years |
|---|---|---|---|---|---|
| Trade and other payables | $ 3,724 | $ – | $ – | $ – | $ – |
| Dividends payable | 318 | – | – | – | – |
| Long term debt | 870 | 870 | 1,740 | 5,219 | 68,374 |
| | $ 4,912 | $ 870 | $ 1,740 | $ 5,219 | $ 68,374 |

Contractual cash flows for long term debt include principal and interest payments but exclude debt retirement fund installments.

**d) Market risk**

Market risk is the risk that the value of an investment will decrease due to moves in market factors.

The Corporation is exposed to market risk primarily through the debt retirement fund. Fair value adjustments will fluctuate based on changes in market prices. Fair value adjustments similar to those experienced up to March 31, 2016 would not have a material impact on net income.

## 20. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, universities, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan. Non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan are also considered related parties.

Routine operating transactions with related parties are settled at agreed upon amounts under normal trade terms. Total rental revenue from related parties for the fifteen month period ended March 31, 2016 was $20,320 (twelve month period ended December 31, 2014 – $14,842).

The Corporation pays Provincial Sales Tax to the Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

**Compensation of key management personnel**

Key management personnel includes the Board of Directors, Executive Directors, and Corporate Officers. The compensation paid to key management personnel is shown below:

| | March 31, 2016 (15 months) | December 31, 2014 (12 months) |
|---|---|---|
| Salaries, wages and short-term employee benefits | $ 1,639 | $ 1,544 |
| Post-employment benefits | 79 | 63 |
| | $ 1,718 | $ 1,607 |

## 21. Pension Plan

Pension expense, consisting of corporate contributions made in proportion to employees' earnings, for the fifteen months ended March 31, 2016 was $640 ($538 for the twelve months ended December 31, 2014).

## 22. Discontinued Operations and Assets Held-for-Sale

Effective April 1, 2014, the Corporation entered into an agreement with a third party that resulted in the transfer of Bio Processing operations to that party. As part of the agreement, all processing equipment and inventory was sold to the third party. The Corporation retained ownership of the building housing the processing facility which was leased to the third party through a long term lease arrangement.

**Assets Held-for-Sale**

At the end of 2014, the Corporation committed to a plan to sell a building located in Prince Albert during 2015. Accordingly, this asset was classified as assets held-for-sale and was not depreciated. During 2015, it was reported at its carrying value, which was lower than the fair value less costs to sell.

Although the building continues to be actively marketed for sale, it is unlikely to generate a sale given current market conditions. Accordingly, each component of the assets held-for-sale has been restated back to property, plant and equipment and investment property (see notes 7 and 8) respectively. Fifteen months of depreciation of $4 and $337 was expensed for these assets at March 31, 2016.

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